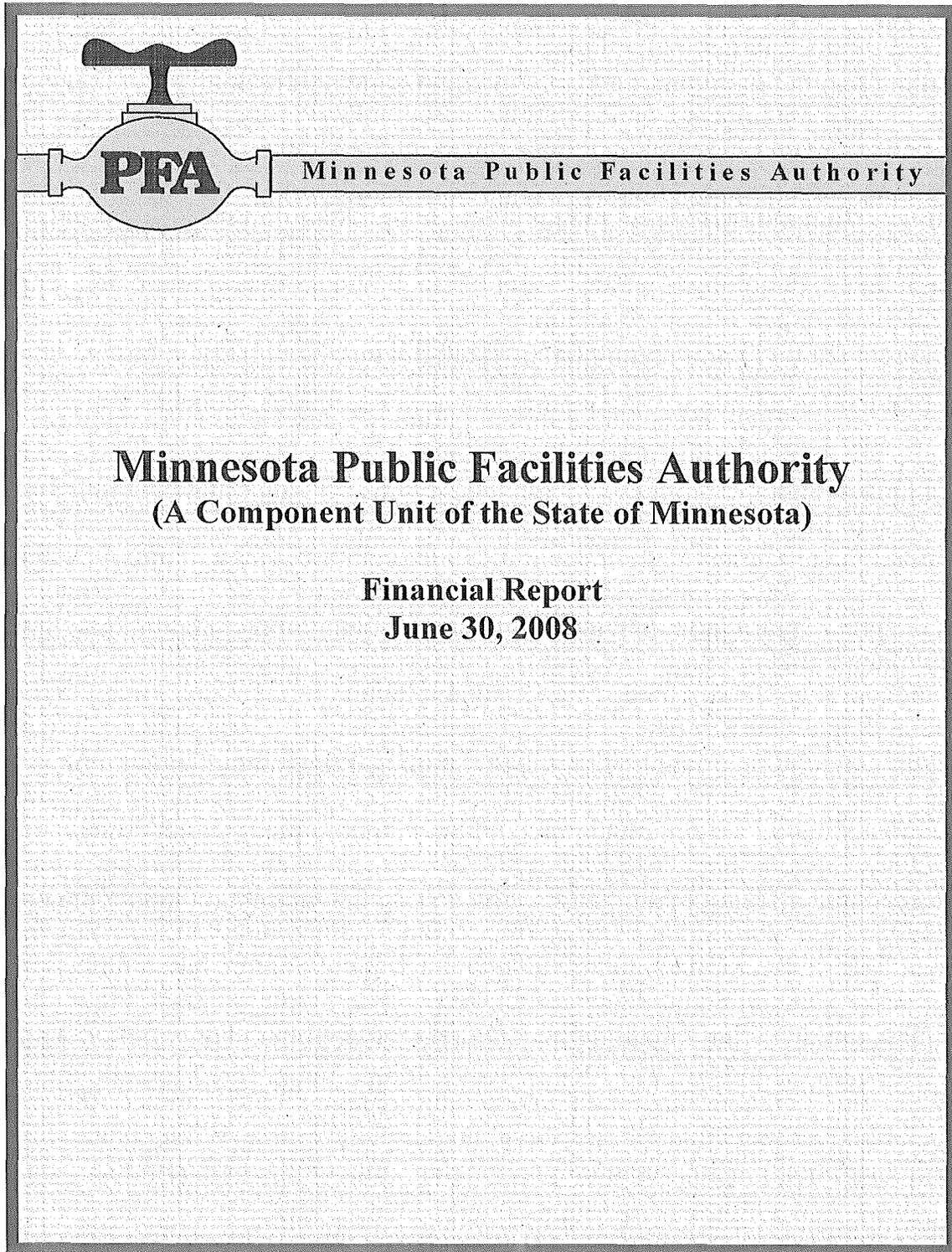


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Minnesota Public Facilities Authority
(A Component Unit of the State of Minnesota)

Financial Report
June 30, 2008

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Minnesota Public Facilities Authority
St. Paul, Minnesota

We have audited the accompanying financial statements of the business-type activities and major funds of the Minnesota Public Facilities Authority (the Authority), a component unit of the State of Minnesota, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and major funds of the Authority as of June 30, 2008 and 2007, and the respective changes in financial positions and the cash flows where applicable thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 28, 2008

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Management's Discussion and Analysis

This section of the Minnesota Public Facilities Authority's (the Authority) annual financial report presents a discussion and analysis of the financial condition as of and financial activities for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the financial statements and notes following this section.

Introduction and Discussion of the Authority's Operations:

The Authority was created in 1987 by the State of Minnesota under Minnesota Statutes, Chapter 446A. The Minnesota Department of Employment and Economic Development provides administrative support services to the Authority. The Authority provides low interest loans and some grants to Minnesota municipalities to help finance infrastructure for clean water, drinking water, and transportation projects. Federal grants and state appropriations received by the Authority may be used directly or leveraged with proceeds of the Authority's revenue bonds.

The Authority has issued tax-exempt revenue bonds the proceeds of which are deposited into separate bond funds. Revenues and assets of each bond fund are separately pledged to the holders of that fund's bonds for debt service payments. Assets and revenues of the Authority outside of the bond funds are not pledged, and are used for grant and loan programs and general administration.

Financial Statement Presentation:

The basic financial statements following Management's Discussion and Analysis consist of those required for a special purpose governmental entity engaged in business-type activities:

- *Statement of Net Assets* - This is presented in the format of assets (financial and capital resources) less liabilities equals net assets. The portion of net assets that is reported as restricted has constraints on its use due to bond resolutions and or enabling legislation.
- *Statement of Revenues, Expenses, and Changes in Fund Net Assets* - This statement presents the accrual basis operations and the resulting change in fund net assets of the Authority for the fiscal year.
- *Statement of Cash Flows* - This statement presents useful information regarding the sufficiency of cash flows to meet debt service requirements, because it includes cash flows such as principal received on loans and principal paid on bonds.

Statements for the fiscal year ended June 30, 2008 are followed by statements for the fiscal year ended June 30, 2007 to allow comparison of the Authority's financial position and results of operations for the current and prior fiscal years.

These statements are prepared on the accrual basis and present information on the Authority's overall financial position and results of operations. Assets and revenues of the separate funds contained within these statements are generally restricted as to use and the reader should not assume they might be used in any aggregate manner.

The Authority defines activities under each of its separate bond resolutions as major funds for financial reporting purposes, with all other accounts and activities outside of these bond resolutions reported in the Other Fund. A summary of the major funds reported by the Authority follows. A more detailed description of each is presented later in the section headed Analysis of Individual Funds' Balances and Transactions for Bond Funds.

- Clean Water Bond Fund (CWBF): In conjunction with the Minnesota Pollution Control Agency (MPCA), the Authority provides loans from the fund to municipalities for wastewater treatment projects certified by the MPCA.
- Drinking Water Bond Fund (DWBF): In conjunction with the Minnesota Department of Health, the Authority provides loans for public drinking water facilities.
- Transportation Bond Fund (TBF): Four separate closed resolutions have been created to make loans in cooperation with the Minnesota Department of Transportation: (1) TBF Series 1999A, (2) TBF Series 2001, (3) TBF Series 2006A, and (4) TBF Series 2008A.
- Other: All of the Authority's non-revenue bond activity and accounts are aggregated in the Other Fund.

Within each of the bond funds, the Authority uses bond proceeds, federal capitalization grants, and state matching funds to make loans, pay for the costs of issuing debt, and to fund debt service reserve accounts when used. Federal capitalization grants and state matching grants within these funds are recognized as contributed capital. Net loan repayments and investment earnings provide the necessary cash flow to pay the required debt service on the bonds.

The operations in the Other Fund consist of administrative costs paid by a portion of the loan repayments or by federal grant funds, and grant and loan programs funded through interest earnings, loan repayments, and federal grants and state appropriations, recognized in these accounts primarily as operating revenue.

Condensed Financial Information:

The following page presents condensed financial statement information as of and for the fiscal years ended June 30, 2008, 2007, and 2006.

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**Minnesota Public Facilities Authority
Condensed Financial Statement Information**

**Condensed Statements of Net Assets
June 30, 2008, 2007, and 2006**

	2008	2007	2006
Assets:			
Cash, cash equivalents, and investments	\$ 435,135,512.38	\$ 313,833,191.40	\$ 424,915,445.26
Loans receivable	1,524,042,479.89	1,439,809,863.81	1,344,062,739.02
Other	26,098,399.68	38,249,609.58	38,774,537.39
Total assets	<u>1,985,276,391.95</u>	<u>1,791,892,664.79</u>	<u>1,807,752,721.67</u>
Liabilities:			
Interest payable on bonds	16,613,278.18	14,530,418.94	15,405,918.34
Bonds payable	1,050,259,519.62	913,969,206.87	972,928,255.17
Other	10,713,871.90	24,628,804.46	28,750,243.76
Total liabilities	<u>1,077,586,669.70</u>	<u>953,128,430.27</u>	<u>1,017,084,417.27</u>
Net Assets	<u>\$ 907,689,722.25</u>	<u>\$ 838,764,234.52</u>	<u>\$ 790,668,304.40</u>

**Condensed Statements of Revenues, Expenses,
and Changes in Fund Net Assets,
Years ended June 30, 2008, 2007, and 2006**

	2008	2007	2006
Operating Revenues:			
Interest on loans	\$ 38,297,049.77	\$ 38,171,490.18	\$ 36,247,665.17
Investment earnings	26,296,480.31	19,997,300.19	11,791,958.76
Grants, appropriations, and fees	16,864,662.26	17,444,395.62	9,990,611.91
Other	1,277,000.00	1,091,000.00	857,000.00
Total operating revenues	<u>82,735,192.34</u>	<u>76,704,185.99</u>	<u>58,887,235.84</u>
Operating Expenses:			
Interest on bonds	47,067,682.57	43,205,447.69	42,412,937.76
Other	32,703,099.60	23,666,141.44	23,213,939.26
Total operating expenses	<u>79,772,782.17</u>	<u>66,871,589.13</u>	<u>65,626,877.02</u>
Operating gain (loss)	2,962,410.17	9,832,596.86	(6,739,641.18)
Capital Contributions	65,963,077.56	38,263,333.26	54,405,418.90
Change in Net Assets	68,925,487.73	48,095,930.12	47,665,777.72
Net Assets at Beginning of Year	<u>838,764,234.52</u>	<u>790,668,304.40</u>	<u>743,002,526.68</u>
Net Assets at End of Year	<u>\$ 907,689,722.25</u>	<u>\$ 838,764,234.52</u>	<u>\$ 790,668,304.40</u>

**Condensed Statements of Cash Flows,
Years ended June 30, 2008, 2007, and 2006**

	2008	2007	2006
Operating Activities:			
Principal and interest received on loans	\$ 134,769,055.65	\$ 112,818,376.65	\$ 103,992,319.01
Operating grants, appropriations, and fees	11,071,816.16	17,141,316.91	10,038,773.93
Other	(26,015,989.51)	(24,488,423.78)	(18,541,488.71)
Net cash provided by operating activities	<u>119,824,882.30</u>	<u>105,471,269.78</u>	<u>95,489,604.23</u>
Non Capital Financing Activities:			
Capital contributions	65,963,077.56	38,282,468.78	54,386,283.38
Proceeds from sales of bonds	184,051,444.44	9,787,017.53	393,452,934.82
Funds deposited in escrow for bond refunding			(274,127,301.89)
Payments to make loans	(180,831,698.96)	(171,235,977.26)	(101,712,479.13)
Principal and interest paid on bonds	(93,101,808.96)	(111,812,755.00)	(88,953,139.57)
Other payments	(655,384.37)	(280,944.94)	(942,289.32)
Net cash used in non capital financing activities	<u>(24,574,370.29)</u>	<u>(235,260,190.89)</u>	<u>(17,895,991.71)</u>
Investing Activities	<u>31,898,875.11</u>	<u>37,060,288.18</u>	<u>26,698,304.68</u>
Net increase (decrease) in cash and cash equivalents	127,149,387.12	(92,728,632.93)	104,291,917.20
Cash and cash equivalents at beginning of year	<u>158,083,825.33</u>	<u>250,812,458.26</u>	<u>146,520,541.06</u>
Cash and cash equivalents at end of year	<u>\$ 285,233,212.45</u>	<u>\$ 158,083,825.33</u>	<u>\$ 250,812,458.26</u>

The table below summarizes certain financial activities during the fiscal years 2008, 2007, and 2006 for reference with the following discussion and analysis.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues and capital contributions from federal grants and state appropriations:			
Clean Water Bond Fund (CWBF):			
Federal capitalization grants	\$ 19,671,894	\$ 16,095,222	\$ 19,857,240
State match	17,795,100	15,108,100	7,695,000
Drinking Water Bond Fund (DWBF):			
Federal capitalization grants	18,249,697	6,422,493	20,128,579
State match	10,246,386	637,518	6,685,000
Other Fund:			
Drinking water federal grants	3,719,381	4,753,399	
Transportation federal grant			39,600
Transportation state appropriations	(6,100,000)		
Other state appropriations and fees	13,145,281	12,690,997	6,734,719
	<u>\$ 76,727,740</u>	<u>\$ 55,707,729</u>	<u>\$ 61,140,138</u>
Bonds Payable (par):			
issued	177,700,000	8,900,000	365,740,000
defeased			(263,365,000)
redeemed	(44,755,000)	(65,595,000)	(45,130,000)
net change	<u>\$ 132,945,000</u>	<u>\$ (56,695,000)</u>	<u>\$ 57,245,000</u>
Loans Receivable:			
disbursed	180,831,699	171,235,977	101,712,479
repaid	(96,599,083)	(75,488,852)	(68,458,984)
net increase	<u>\$ 84,232,616</u>	<u>\$ 95,747,125</u>	<u>\$ 33,253,495</u>

Analysis of the Authority's overall Financial Position and Results of Operations:

During the fiscal years ended June 30, 2008, 2007, and 2006, net assets changed by: +\$68.9, +\$48.1, and +\$47.7 million, respectively. This change is due largely to two factors:

- Timing of federal and state grants as operating revenue and capital contributions: revenue and capital contributions were \$76.7, \$55.7, and \$61.1 million, respectively, during fiscal years 2008, 2007, and 2006.
- Up and down swings in the recorded fair value of long-term investments due to market rate changes. The unrealized change in market value was: +\$3.4, +\$1.0, and -\$7.6 million, respectively, during fiscal years 2008, 2007, and 2006.

The weighted average interest rate on outstanding loan balances at June 30, 2008, 2007, and 2006 were 2.68%, 2.78%, and 2.71%, respectively.

The weighted average investment earnings rate (earnings ÷ average cash and investments balance) during fiscal years 2008, 2007, and 2006 was 4.85%, 4.87%, and 4.81%.

Loan approvals for the last three fiscal years was \$185 million (35 loans), \$261 million (55 loans), and \$75 million (25 loans).

Discussion of Long-term Debt Activity, Credit Ratings, and Debt Limitations:

The Authority's outstanding debt limit is \$1,500,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2008 was \$1,022,715,000.

During fiscal year 2008 the Authority issued Clean Water bonds of \$170,000,000 par and Transportation Series 2008A bonds of \$7,700,000 par. During fiscal year 2007 the Authority issued Transportation Series 2006A bonds of \$8,900,000 par. During fiscal year 2006 the Authority issued Clean Water bonds of \$282,375,000 par and Drinking Water bonds of \$83,365,000 par, including \$111,350,000 of new money bonds and \$254,390,000 of refunding bonds. The refunding bonds were used to fund escrow accounts to defease \$263,365,000 million par.

The Clean Water and Drinking Water bonds are rated triple A by Standard and Poor's (AAA), Moody's (Aaa), and Fitch Ratings (AAA). The transportation bonds carry the following ratings: Series 1999A bonds: Standard and Poor's (AAA) and Moody's (Aaa); Series 2001 bonds: Moody's (Aa2); Series 2006A bonds: Moody's (Aaa); and the Series 2008A bonds: Standard and Poor's (AAA) and Moody's (Aaa).

Analysis of Individual Funds' Balances and Transactions for Bond Funds:

This section will provide general information on each bond fund, followed by presentation and analysis of more detailed financial information.

Clean Water Bond Fund (CWBF): This pooled bond fund is a part of the Authority's Clean Water State Revolving Fund, operated under the federal Clean Water program, CFDA #66.458. Initiated in 1989, twenty series of bonds have been issued for \$1.87 billion par, which includes \$650 million for refunding prior issues. Federal capitalization grant awards and state match appropriations through June 30, 2008 was approximately \$613 million, net of set-asides for administrative costs. The Authority has over the years transferred out approximately \$81.6 million from the CWBF for related but non-pledged programs known as non point-source programs. During fiscal years 2008, 2007, and 2006, the Authority transferred \$2.2 million, \$2.2 million, and \$2.0 million, respectively, from net assets for these programs. This is reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Assets as transfers out of the CWBF to the Other Fund, then as expenditures in the Other Fund as sub-recipients expend the awards. Prior to removing assets from the CWBF, the Authority must meet conditions defined in the fund's basic bond resolution. The CWBF has made 327 loan commitments to 214 borrowers for approximately \$1.82 billion. The largest borrower, at \$965 million in cumulative loan commitments as of June 30, 2008, is the Metropolitan Council.

Drinking Water Bond Fund (DWBF): This pooled bond fund is a part of the Authority's Drinking Water State Revolving Fund, operated under the federal Safe Drinking Water program, CFDA #66.468. Initiated in 1998, four series of bonds have been issued for \$207.9 million, which includes \$35.5 million for refunding prior issues. Federal capitalization grant awards and state match appropriations through June 30, 2008 were approximately \$205 million, net of non-pledged set-asides. The fund has made 207 loan commitments to 168 borrowers for approximately \$414 million. The largest borrower, at \$78.4 million in cumulative loan commitments as of June 30, 2008, is the City of Minneapolis.

Transportation Bond Fund (TBF): This fund consists of four closed, stand alone bond issuances with separate pledged assets and revenues for each:

- The series 1999A bonds of \$17.08 million par were issued in March 1999. The Authority transferred \$4.1 million in cash into the fund at issuance, from its non-pledged accounts. One loan for \$21.025 million was made to the Metropolitan Council.
- The series 2001 bonds of \$20.45 million par were issued in December 2001. The Authority transferred \$16.77 million in cash and loans receivable into the fund. Nine loan commitments totaling \$34.78 million from the loan pool pledged to these bonds, and a \$1.9 million debt service reserve account was also created from the assets transferred in.
- The series 2006A bonds of \$8.9 million par were issued in December 2006. The Authority transferred \$2.4 million in cash into the fund at issuance, from its non-pledged accounts. One loan for \$11.2 million was made to Stearns County.
- The series 2008A bonds of \$7.7 million par were issued in January 2008. The Authority transferred \$2.25 million in cash into the fund at issuance, from its non-pledged accounts. One loan for \$10 million was made to the Metropolitan Council.

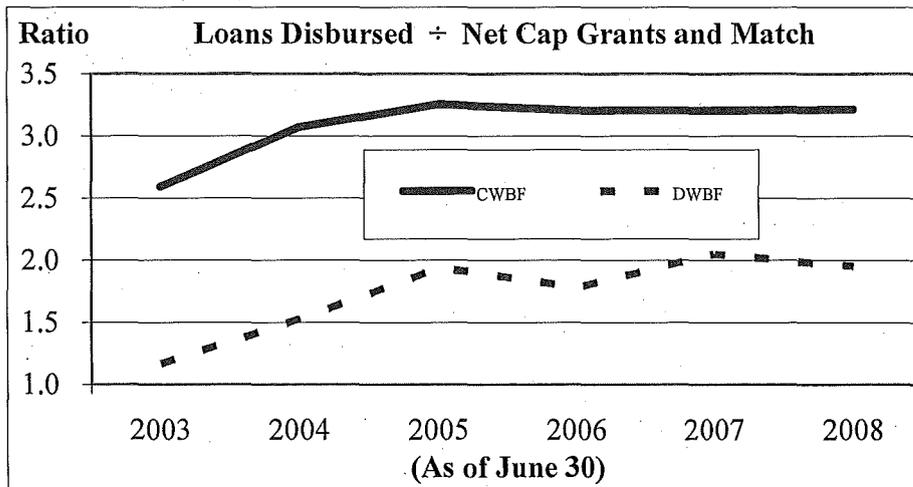
Criteria used in evaluating the financial results and conditions of the bond funds include:

- The efficient use of contributed capital to accomplish the goal of making below market rate loans to program participants (CWBF and DWBF).
- The ability to generate cash flows sufficient to make debt service payments (all bond funds).

Analysis of the efficient use of federal capitalization grants and state match:

The amount of loans disbursed by the CWBF and DWBF, compared to the net amount of federal capitalization grants and state match recognized in the funds, gives a measure of the effective use of the capital contributions. Timing of loan disbursements and use of federal and state funds may affect the ratios at any point in time, but over time this ratio should grow as the programs grow in size and loan repayments become a larger portion of the available sources for new loans. The following chart displays the ratio at June 30th for the past six years.

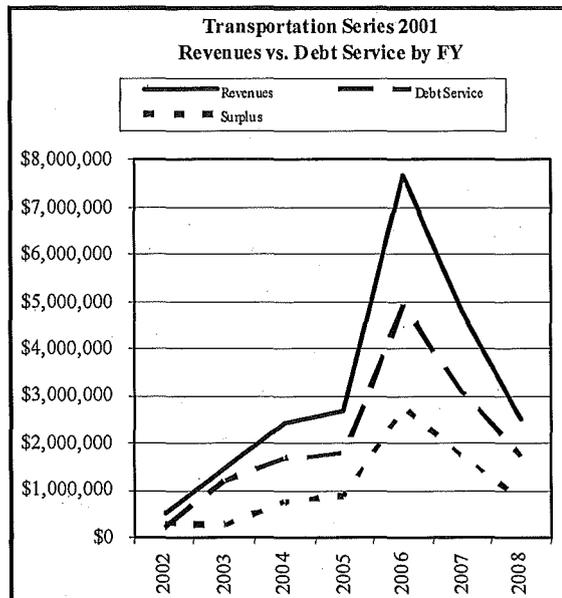
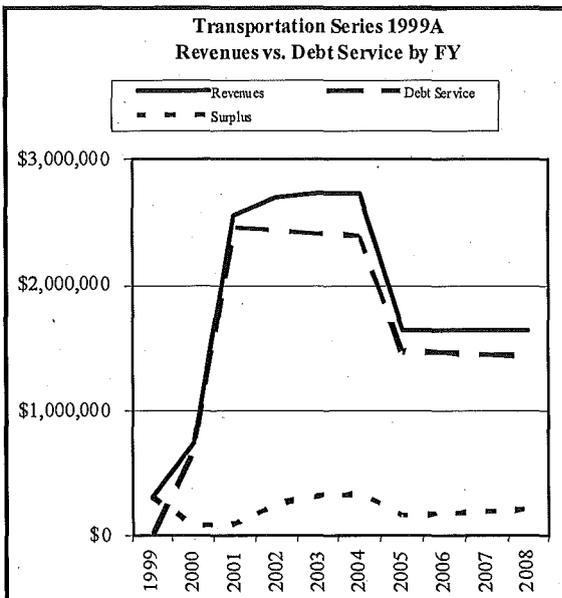
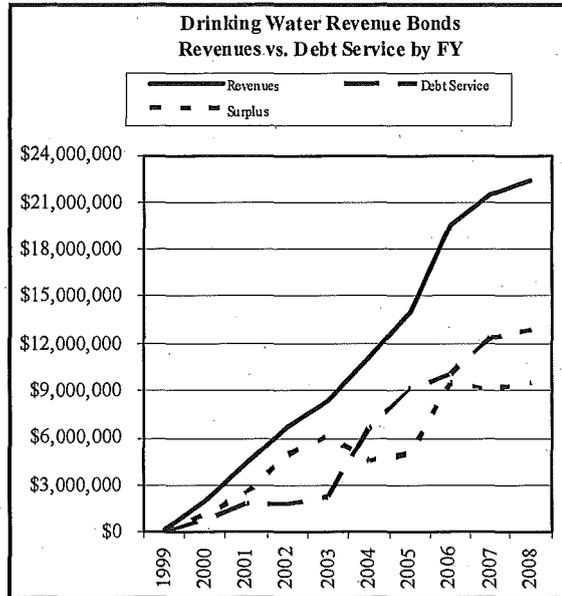
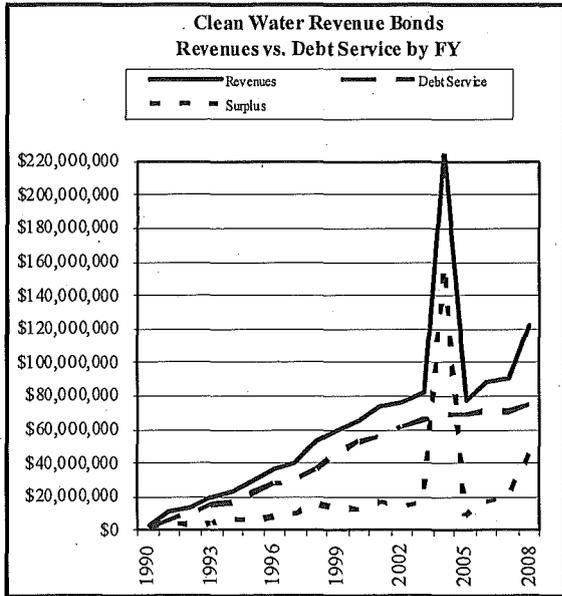
Clean Water and Drinking Water Bond Fund Programs
Leveraging of Federal Capitalization Grants and State Match



Analysis of historical cash flow sufficiency to make debt service payments:

The following charts show each bond fund's cash flow history to date in meeting debt service payments. Annual total bond fund revenues, debt service, and net surplus are charted. The Transportation Series 2008A bonds have had no debt service payments yet, and the Transportation Series 2006A bonds have had just one year, with a surplus of \$467 thousand.

Charts of each fund's cash flow history to date in meeting debt service payments
(note differing scales between the charts)



Financial ratios: the following table presents financial ratios regarding financial position and ability to generate cash flows sufficient to pay debt service requirements.

	Clean Water	Drinking Water	Transportation Bond Fund			
	Bond Fund	Bond Fund	Series 1999A	Series 2001	Series 2006A	Series 2008A
Current ratios						
June 30, 2008	6.12	6.31	1.21	1.51	2.31	3.39
June 30, 2007	3.35	5.97	1.22	1.85		
June 30, 2006	4.84	11.66	1.22	1.71		
Debt ratios						
June 30, 2008	0.58	0.41	0.79	0.54	0.76	0.77
June 30, 2007	0.55	0.46	0.79	0.55	0.76	
June 30, 2006	0.59	0.48	0.79	0.56		
Operating Income ratios						
FY 2008	1.25	1.63	0.74	1.28	0.80	1.44
FY 2007	1.20	1.56	0.76	1.30	2.09	
FY 2006	0.98	1.48	0.77	1.38		
Debt Service Coverage						
FY 2008	1.61	1.74	1.14	1.45	1.18	
FY 2007	1.28 ¹	1.73	1.13	1.56		
FY 2006	1.25	1.94	1.12	1.56		

current ratio: $\text{current assets} \div \text{current liabilities}$
debt ratio: $\text{debt} \div \text{assets}$
operating income ratio: $\text{operating revenues} \div \text{operating expenses}$
debt service coverage ratio: $(\text{loan repayments} + \text{investment interest}) \div (\text{bond debt service})$

¹ During fiscal year 2007, the Authority called \$23.905 million of Clean Water bonds with available cash in the CWBF. The Clean Water debt service coverage ratio for the year excludes this call.

Even though the operating income ratio for the Transportation Series 1999A fund is less than 1, the cash flows are sufficient to pay debt service because the outstanding loan balance is greater than the outstanding bonds. This fact is reflected in the debt service coverage ratio, which includes principal repayments as well as interest. Principal repaid on the loan exceeds the bond principal requirements and more than overcomes the lower interest earned on the loan. This financing was structured such that projected repayments on the \$21.025 million loan made to the Metropolitan Council are sufficient to pay debt service on the bonds issued of \$17.080 million.

Analysis of Individual Funds' Balances and Transactions for Non-Bond Funds:

The Other Fund includes grant and loan programs not funded with Authority bond proceeds, and the administrative costs for the Authority including costs of the Department of Employment and Economic Development, the Minnesota Pollution Control Agency (PCA), and the Department of Health. These administrative costs are funded partially from federal grants and partially from the fee portion of loans repayments.

The Authority, through inter-agency agreements, sub-grants some of its assets to Health, PCA, and the Department of Agriculture. The assets are from federal grant awards or from net assets removed from the CWBF. When the agencies make expenditures under the sub-grants, the assets set aside for the sub-grants are reduced and a grant expense is recorded. The following chart shows the activity during the fiscal year:

Sub-Grants	MPCA Clean Water	Dept of Agriculture Best Management	Dept of Health Drinking Water
Allocations & Expenditures	Partnership	Practices	Set-Asides
New allocations	\$ 1,000,000	\$ 1,200,000	\$ -
Expenditures	3,136,747	428,153	2,315,000

The drinking water set-asides originated from federal capitalization grant awards.

State Appropriations – The Authority received multiple appropriations during the 2008, 2007 and 2006 legislative sessions. These appropriations are recognized as revenue as related expenditure obligations are incurred.

Discussion of Facts and Conditions Expected to Have a Significant Impact on Financial Position and or Results of Operations:

During fiscal year 2004 the Authority received early pay-offs on eleven CWBF loans with a total principal balance of \$146 million. The funds from these repayments were used to make new CWBF loans. Net revenues to the CWBF will be reduced from fiscal year 2005 through fiscal year 2014 because the new loans will have interest free and payment free periods and they will be made at rates lower than the paid-off loans. The Authority structured the CWBF bonds issued during fiscal year 2005 to offset the cash flow impact through this period in order to achieve relatively level revenue coverage in the CWBF.

The Authority adopts an annual Intended Use Plan (IUP) for the Clean Water program and for the Drinking Water program. The IUPs identify which projects may be considered for funding during the fiscal year, based on priority lists established by the MPCA for Clean Water projects and by the Department of Health for Drinking Water projects. The Authority reviews the long term funding capacity of the Clean Water Bond Fund and the Drinking Water Bond Fund when determining the level of funding for the annual IUPs. Since fiscal year 2001, excepting fiscal years 2005 and 2006, the Authority intentionally has approved a level of funding for the Clean Water program that exceeds the long-term sustainable capacity of the Bond Fund. It did so knowing that existing needs across the State to make improvements to wastewater systems was substantial and that construction related inflation makes delays in project starts costly to Minnesota communities. Meeting as much current loan demand as possible while preserving long term lending capacity to fund high priority projects throughout the State will be a continuing challenge.

Requests for Information

This financial report is designed to provide a general overview of the Minnesota Public Facilities Authority's finances. Questions concerning any of the information provided in this report should be addressed to: Minnesota Public Facilities Authority
Attention: Financial Officer
1st National Bank Bldg., Suite E200
332 Minnesota Street
Saint Paul, MN 55101-1351.

Minnesota Public Facilities Authority
Statement of Net Assets
June 30, 2008

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 224,608,248.39	\$ 32,372,592.89	\$ 5,930,260.80	\$ 22,322,110.37	\$ 285,233,212.45
Investments	30,360,708.69	1,953,595.35			32,314,304.04
Loans receivable	56,725,000.00	15,825,000.00	7,522,000.00	4,521,000.00	84,593,000.00
Federal grants receivable				83,518.68	83,518.68
Accrued interest receivable:					
Investments	2,353,798.00	87,740.00	35,541.00		2,477,079.00
Loans	11,206,461.00	2,926,648.00	343,856.00	451,136.00	14,928,101.00
Securities lending collateral				5,876,000.00	5,876,000.00
Total current assets	<u>325,254,216.08</u>	<u>53,165,576.24</u>	<u>13,831,657.80</u>	<u>33,253,765.05</u>	<u>425,505,215.17</u>
Noncurrent assets:					
Investments	106,627,339.69	9,063,915.20	1,896,741.00		117,587,995.89
Loans receivable	1,064,340,179.72	307,896,932.00	33,150,141.24	34,062,226.93	1,439,449,479.89
Deferred bond issuance costs	2,037,350.00	305,650.00	390,701.00		2,733,701.00
Total noncurrent assets	<u>1,173,004,869.41</u>	<u>317,266,497.20</u>	<u>35,437,583.24</u>	<u>34,062,226.93</u>	<u>1,559,771,176.78</u>
Total assets	<u>1,498,259,085.49</u>	<u>370,432,073.44</u>	<u>49,269,241.04</u>	<u>67,315,991.98</u>	<u>1,985,276,391.95</u>
LIABILITIES					
Current liabilities:					
Accounts payable & other	2,436.67			1,470,756.92	1,473,193.59
Interest payable on bonds	13,867,858.32	2,239,681.67	505,738.19		16,613,278.18
Arbitrage rebate liability	395,113.72		24,690.23		419,803.95
Compensated absences payable				30,999.00	30,999.00
Bonds payable	38,910,000.00	6,190,000.00	5,770,000.00		50,870,000.00
Securities lending collateral				5,876,000.00	5,876,000.00
Total current liabilities	<u>53,175,408.71</u>	<u>8,429,681.67</u>	<u>6,300,428.42</u>	<u>7,377,755.92</u>	<u>75,283,274.72</u>
Noncurrent liabilities:					
Bonds payable	827,914,360.39	144,183,167.61	27,291,991.62		999,389,519.62
Arbitrage rebate liability	1,895,380.46	637,695.10	112,026.80		2,645,102.36
Compensated absences payable				268,773.00	268,773.00
Total liabilities	<u>882,985,149.56</u>	<u>153,250,544.38</u>	<u>33,704,446.84</u>	<u>7,646,528.92</u>	<u>1,077,586,669.70</u>
NET ASSETS					
Restricted by bond resolutions	615,273,935.93	217,181,529.06	15,564,794.20		848,020,259.19
Restricted by legislation				58,213,324.24	58,213,324.24
Unrestricted				1,456,138.82	1,456,138.82
Total net assets	<u>\$ 615,273,935.93</u>	<u>\$ 217,181,529.06</u>	<u>\$ 15,564,794.20</u>	<u>\$ 59,669,463.06</u>	<u>\$ 907,689,722.25</u>

see accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Net Assets
June 30, 2007

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 84,027,307.33	\$ 34,014,252.83	\$ 8,995,097.26	\$ 31,047,167.91	\$ 158,083,825.33
Investments	9,250,657.36				9,250,657.36
Loans receivable	57,777,864.65	12,480,034.76	3,913,745.12	4,245,695.74	78,417,340.27
Federal grants receivable				390,672.58	390,672.58
Accrued interest receivable:					
Investments	2,534,037.00	87,740.00	35,541.00		2,657,318.00
Loans	11,365,831.00	2,622,901.00	319,986.00	492,306.00	14,801,024.00
Securities lending collateral				17,874,000.00	17,874,000.00
Total current assets	<u>164,955,697.34</u>	<u>49,204,928.59</u>	<u>13,264,369.38</u>	<u>54,049,842.23</u>	<u>281,474,837.54</u>
Noncurrent assets:					
Investments	134,024,519.81	10,577,447.90	1,896,741.00		146,498,708.71
Loans receivable	1,014,061,726.38	284,177,431.38	27,360,578.22	35,792,787.56	1,361,392,523.54
Deferred bond issuance costs	1,857,743.00	340,093.00	328,759.00		2,526,595.00
Total noncurrent assets	<u>1,149,943,989.19</u>	<u>295,094,972.28</u>	<u>29,586,078.22</u>	<u>35,792,787.56</u>	<u>1,510,417,827.25</u>
Total assets	<u>1,314,899,686.53</u>	<u>344,299,900.87</u>	<u>42,850,447.60</u>	<u>89,842,629.79</u>	<u>1,791,892,664.79</u>
LIABILITIES					
Current liabilities:					
Accounts payable & other	806,568.98			2,150,235.83	2,956,804.81
Interest payable on bonds	11,702,944.98	2,321,541.67	505,932.29		14,530,418.94
Arbitrage rebate liability	972,680.00				972,680.00
Compensated absences payable				23,031.00	23,031.00
Bonds payable	35,820,000.00	5,920,000.00	2,765,000.00		44,505,000.00
Securities lending collateral				17,874,000.00	17,874,000.00
Total current liabilities	<u>49,302,193.96</u>	<u>8,241,541.67</u>	<u>3,270,932.29</u>	<u>20,047,266.83</u>	<u>80,861,934.75</u>
Noncurrent liabilities:					
Bonds payable	693,323,130.83	150,894,423.79	25,246,652.25		869,464,206.87
Arbitrage rebate liability	2,047,656.85	500,072.16	25,407.64		2,573,136.65
Compensated absences payable				229,152.00	229,152.00
Total liabilities	<u>744,672,981.64</u>	<u>159,636,037.62</u>	<u>28,542,992.18</u>	<u>20,276,418.83</u>	<u>953,128,430.27</u>
NET ASSETS					
Restricted by bond resolutions	570,226,704.89	184,663,863.25	14,307,455.42		769,198,023.56
Restricted by legislation				68,163,138.23	68,163,138.23
Unrestricted				1,403,072.73	1,403,072.73
Total net assets	<u>\$ 570,226,704.89</u>	<u>\$ 184,663,863.25</u>	<u>\$ 14,307,455.42</u>	<u>\$ 69,566,210.96</u>	<u>\$ 838,764,234.52</u>

see accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Year Ended June 30, 2008

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
Operating revenues:					
Interest on loans	\$ 26,669,394.84	\$ 7,643,125.28	\$ 915,705.63	\$ 3,068,824.02	\$ 38,297,049.77
Investment earnings	19,652,563.95	2,334,346.62	460,163.71	649,745.92	23,096,820.20
Net increase (decrease), fair value of investments	2,759,597.46	440,062.65			3,199,660.11
Federal grants-operating				3,719,381.32	3,719,381.32
State appropriations and fees				13,145,280.94	13,145,280.94
Securities lending income				1,277,000.00	1,277,000.00
Total operating revenues	49,081,556.25	10,417,534.55	1,375,869.34	21,860,232.20	82,735,192.34
Operating expenses:					
Interest on bonds	39,359,046.59	6,395,951.82	1,312,684.16		47,067,682.57
Salaries and employee benefits				2,190,678.54	2,190,678.54
Other general operating				635,984.20	635,984.20
Grants				22,557,436.86	22,557,436.86
Appropriation reductions				6,100,000.00	6,100,000.00
Securities lending rebate and fees				1,221,000.00	1,221,000.00
Total operating expenses	39,359,046.59	6,395,951.82	1,312,684.16	32,705,099.60	79,772,782.17
Operating income (loss)	9,722,509.66	4,021,582.73	63,185.18	(10,844,867.40)	2,962,410.17
Capital Contributions:					
Federal Grants	19,671,894.00	18,249,696.78			37,921,590.78
State Match	17,795,100.48	10,246,386.30			28,041,486.78
Total capital contributions	37,466,994.48	28,496,083.08	-	-	65,963,077.56
Transfers in (out)	(2,142,273.10)		1,194,153.60	948,119.50	-
Change in net assets	45,047,231.04	32,517,665.81	1,257,338.78	(9,896,747.90)	68,925,487.73
Total net assets:					
Beginning of year	570,226,704.89	184,663,863.25	14,307,455.42	69,566,210.96	838,764,234.52
End of year	\$ 615,273,935.93	\$ 217,181,529.06	\$ 15,564,794.20	\$ 59,669,463.06	\$ 907,689,722.25

see accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Year Ended June 30, 2007

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
Operating revenues:					
Interest on loans	\$ 27,572,441.63	\$ 6,823,420.65	\$ 878,112.28	\$ 2,897,515.62	\$ 38,171,490.18
Investment earnings	14,326,428.25	3,320,924.95	528,089.05	828,439.14	19,003,881.39
Net increase (decrease), fair value of investments	859,197.90	134,220.90			-993,418.80
Federal grants-operating				4,753,398.71	4,753,398.71
State appropriations and fees				12,690,996.91	12,690,996.91
Securities lending income				1,091,000.00	1,091,000.00
Total operating revenues	<u>42,758,067.78</u>	<u>10,278,566.50</u>	<u>1,406,201.33</u>	<u>22,261,350.38</u>	<u>76,704,185.99</u>
Operating expenses:					
Interest on bonds	35,497,932.40	6,585,723.77	1,121,791.52		43,205,447.69
Salaries and employee benefits				1,900,808.92	1,900,808.92
Other general operating				674,683.18	674,683.18
Grants				20,010,649.34	20,010,649.34
Appropriation reductions					-
Securities lending rebate and fees				1,080,000.00	1,080,000.00
Total operating expenses	<u>35,497,932.40</u>	<u>6,585,723.77</u>	<u>1,121,791.52</u>	<u>23,666,141.44</u>	<u>66,871,589.13</u>
Operating income (loss)	<u>7,260,135.38</u>	<u>3,692,842.73</u>	<u>284,409.81</u>	<u>(1,404,791.06)</u>	<u>9,832,596.86</u>
Capital Contributions:					
Federal Grants	16,095,222.00	6,422,493.48			22,517,715.48
State Match	15,108,099.52	637,518.26			15,745,617.78
Total capital contributions	<u>31,203,321.52</u>	<u>7,060,011.74</u>	<u>-</u>	<u>-</u>	<u>38,263,333.26</u>
Transfers in (out)	<u>(2,142,758.20)</u>		<u>457,952.45</u>	<u>1,684,805.75</u>	<u>-</u>
Change in net assets	<u>36,320,698.70</u>	<u>10,752,854.47</u>	<u>742,362.26</u>	<u>280,014.69</u>	<u>48,095,930.12</u>
Total net assets:					
Beginning of year	533,906,006.19	173,911,008.78	13,565,093.16	69,286,196.27	790,668,304.40
End of year	<u>\$ 570,226,704.89</u>	<u>\$ 184,663,863.25</u>	<u>\$ 14,307,455.42</u>	<u>\$ 69,566,210.96</u>	<u>\$ 838,764,234.52</u>

see accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Cash Flows
for the Year Ended June 30, 2008

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
Operating activities:					
Interest received on loans	\$ 26,828,764.84	\$ 7,339,378.28	\$ 891,835.63	\$ 3,109,994.02	\$ 38,169,972.77
Principal received on loans	75,823,097.89	12,594,828.03	3,932,409.06	4,248,747.90	96,599,082.88
Federal grants - operating				4,026,535.22	4,026,535.22
State appropriations, and fees				7,045,280.94	7,045,280.94
Payments to employees				(2,025,121.43)	(2,025,121.43)
Payments to vendors				(747,633.59)	(747,633.59)
Payments to grantees				(17,363,334.12)	(17,363,334.12)
Payments to sub-recipients				(5,879,900.37)	(5,879,900.37)
Net cash provided (used) in operating activities	<u>102,651,862.73</u>	<u>19,934,206.31</u>	<u>4,824,244.69</u>	<u>(7,585,431.43)</u>	<u>119,824,882.30</u>
Non capital financing activities:					
Capital contributions:					
federal	19,671,894.00	18,249,696.78			37,921,590.78
state	17,795,100.48	10,246,386.30			28,041,486.78
Proceeds from sale of bonds	176,150,543.94		7,900,900.50		184,051,444.44
Payments for bond issuance costs	(536,893.61)		(118,490.76)		(655,384.37)
Interest paid on bonds	(40,040,293.33)	(6,964,625.00)	(1,341,890.63)		(48,346,808.96)
Principal paid on bonds	(36,070,000.00)	(5,920,000.00)	(2,765,000.00)		(44,755,000.00)
Payments to make loans	(125,048,686.58)	(39,659,293.89)	(13,330,226.96)	(2,793,491.53)	(180,831,698.96)
Cash transfers	(2,142,273.10)		1,194,153.60	948,119.50	-
Net cash provided (used) in non capital financing activities:	<u>9,779,391.80</u>	<u>(24,047,835.81)</u>	<u>(8,460,554.25)</u>	<u>(1,845,372.03)</u>	<u>(24,574,370.29)</u>
Investing activities:					
Investment interest	19,906,724.35	2,471,969.56	571,473.10	705,745.92	23,655,912.93
Arbitrage payments to the IRS	(803,764.07)				(803,764.07)
Purchases of investments					-
Proceeds from sale & maturities	9,046,726.25				9,046,726.25
Net cash provided in investing activities	<u>28,149,686.53</u>	<u>2,471,969.56</u>	<u>571,473.10</u>	<u>705,745.92</u>	<u>31,898,875.11</u>
Net increase (decrease) in cash and cash equivalents	140,580,941.06	(1,641,659.94)	(3,064,836.46)	(8,725,057.54)	127,149,387.12
Cash and cash equivalents::					
Beginning of year	84,027,307.33	34,014,252.83	8,995,097.26	31,047,167.91	158,083,825.33
End of year	<u>\$ 224,608,248.39</u>	<u>\$ 32,372,592.89</u>	<u>\$ 5,930,260.80</u>	<u>\$ 22,322,110.37</u>	<u>\$ 285,233,212.45</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	9,722,509.66	4,021,582.73	63,185.18	(10,844,867.40)	2,962,410.17
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Principal received on loans	75,823,097.89	12,594,828.03	3,932,409.06	4,248,747.90	96,599,082.88
Interest paid on bonds	40,040,293.33	6,964,625.00	1,341,890.63		48,346,808.96
Investment earnings	(19,906,724.35)	(2,471,969.56)	(571,473.10)	(705,745.92)	(23,655,912.93)
Arbitrage payments to the IRS	803,764.07				803,764.07
Net change, investment fair value	(2,759,597.46)	(440,062.65)			(3,199,660.11)
Net amortizations	(2,096,815.64)	(486,813.18)	(29,012.37)		(2,612,641.19)
Changes in assets and liabilities:					
Accrued revenues	339,609.00	(303,747.00)	(23,870.00)	348,323.90	360,315.90
Accrued expenses	685,726.23	55,762.94	111,115.29	(631,889.91)	220,714.55
Net cash provided (used) in operating activities	<u>\$ 102,651,862.73</u>	<u>\$ 19,934,206.31</u>	<u>\$ 4,824,244.69</u>	<u>\$ (7,585,431.43)</u>	<u>\$ 119,824,882.30</u>

see accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Cash Flows
for the Year Ended June 30, 2007

	Revenue Bond Funds				Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Bond Fund	Other	
Operating activities:					
Interest received on loans	\$ 26,893,123.63	\$ 6,564,679.65	\$ 905,031.28	\$ 2,966,689.62	\$ 37,329,524.18
Principal received on loans	51,262,161.13	11,185,431.59	5,321,912.55	7,719,347.20	75,488,852.47
Federal grants - operating				4,450,320.00	4,450,320.00
State appropriations, and fees				12,690,996.91	12,690,996.91
Payments to employees				(1,932,767.50)	(1,932,767.50)
Payments to vendors				(565,949.15)	(565,949.15)
Payments to grantees				(14,779,275.80)	(14,779,275.80)
Payments to sub-recipients				(7,210,431.33)	(7,210,431.33)
Net cash provided (used) in operating activities	<u>78,155,284.76</u>	<u>17,750,111.24</u>	<u>6,226,943.83</u>	<u>3,338,929.95</u>	<u>105,471,269.78</u>
Non capital financing activities:					
Capital contributions:					
federal	16,095,222.00	6,441,629.00			22,536,851.00
state	15,108,099.52	637,518.26			15,745,617.78
Proceeds from sale of bonds	750,000.00		9,037,017.53		9,787,017.53
Payments for bond issuance costs	(93,431.02)		(187,513.92)		(280,944.94)
Interest paid on bonds	(37,973,885.00)	(7,179,695.00)	(1,064,175.00)		(46,217,755.00)
Principal paid on bonds	(56,925,000.00)	(5,205,000.00)	(3,465,000.00)		(65,595,000.00)
Payments to make loans	(100,903,644.46)	(57,075,368.94)	(3,021,153.92)	(10,235,809.94)	(171,235,977.26)
Cash transfers	(2,142,758.20)		457,952.45	1,684,805.75	-
Net cash provided (used) in non capital financing activities:	<u>(166,085,397.16)</u>	<u>(62,380,916.68)</u>	<u>1,757,127.14</u>	<u>(8,551,004.19)</u>	<u>(235,260,190.89)</u>
Investing activities:					
Investment interest	16,279,071.69	3,711,512.15	527,512.87	839,439.14	21,357,535.85
Arbitrage payments to the IRS	(3,644,287.40)				(3,644,287.40)
Purchases of investments	(7,732,036.13)				(7,732,036.13)
Proceeds from sale & maturities	27,079,075.86				27,079,075.86
Net cash provided in investing activities	<u>31,981,824.02</u>	<u>3,711,512.15</u>	<u>527,512.87</u>	<u>839,439.14</u>	<u>37,060,288.18</u>
Net increase (decrease) in cash and cash equivalents	(55,948,288.38)	(40,919,293.29)	8,511,583.84	(4,372,635.10)	(92,728,632.93)
Cash and cash equivalents::					
Beginning of year	139,975,595.71	74,933,546.12	483,513.42	35,419,803.01	250,812,458.26
End of year	<u>\$ 84,027,307.33</u>	<u>\$ 34,014,252.83</u>	<u>\$ 8,995,097.26</u>	<u>\$ 31,047,167.91</u>	<u>\$ 158,083,825.33</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	7,260,135.38	3,692,842.73	284,409.81	(1,404,791.06)	9,832,596.86
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Principal received on loans	51,262,161.13	11,185,431.59	5,321,912.55	7,719,347.20	75,488,852.47
Interest paid on bonds	37,973,885.00	7,179,695.00	1,064,175.00		46,217,755.00
Investment earnings	(16,279,071.69)	(3,711,512.15)	(527,512.87)	(839,439.14)	(21,357,535.85)
Arbitrage payments to the IRS	3,644,287.40				3,644,287.40
Net change, investment fair value	(859,197.90)	(134,220.90)			(993,418.80)
Net amortizations	(1,520,935.91)	(522,281.23)	(75,022.89)		(2,118,240.03)
Changes in assets and liabilities:					
Accrued revenues	(158,225.00)	(258,741.00)	26,919.00	(233,904.71)	(623,951.71)
Accrued expenses	(3,167,753.65)	318,897.20	132,063.23	(1,902,282.34)	(4,619,075.56)
Net cash provided (used) in operating activities	<u>\$ 78,155,284.76</u>	<u>\$ 17,750,111.24</u>	<u>\$ 6,226,943.83</u>	<u>\$ 3,338,929.95</u>	<u>\$ 105,471,269.78</u>

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority
Notes to the Financial Statements
Years Ended June 30, 2008 and 2007**

1. *Summary of Significant Accounting Policies*

The financial statements of the Minnesota Public Facilities Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Descriptions of the significant accounting policies follow:

Reporting Entity - The Minnesota Public Facilities Authority (the Authority) was created in 1987 by the State of Minnesota under Minnesota Statutes, Chapter 446A (the Act). Under the Act, the members of the Authority include the Commissioner of Employment and Economic Development, the Commissioner of Finance, the Commissioner of the Minnesota Pollution Control Agency (MPCA), the Commissioner of Agriculture, the Commissioner of Health, and the Commissioner of Transportation. The Commissioner of Employment and Economic Development serves as chair and chief executive officer of the Authority. These members serve as a result of their respective positions as commissioners, and their terms as members of the Authority coincide with their terms as commissioners. Pursuant to state law, commissioners may delegate and have delegated their duties as a member of the Authority in the event that the commissioner is unable to attend a meeting of the Authority.

The Minnesota Department of Employment and Economic Development (DEED) provides administrative support services to the Authority. The MPCA and the Minnesota Department of Health also provide staff to administer, in cooperation with the Authority, certain programs of the Authority.

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, states that a primary government that appoints a voting majority of the organization's governing body, and either (1) is able to impose its will on the organization or (2) has the potential to receive specific financial burdens imposed on it by the organization, is financially accountable to that organization. Based on this criterion, the Authority is considered a discretely presented component unit of the State of Minnesota and is included in its basic financial statements.

The Authority is authorized to issue bonds. These bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority).

Basis of Accounting— The Authority is a special-purpose government engaged only in business-type activities. The Authority has determined that all of its funds shall be classified as enterprise funds and are therefore accounted for on the proprietary fund-type basis. All assets and liabilities (whether current or non current) associated with their activity are included on their statements of net assets. Proprietary fund measurement is focused upon determination of net income, financial position, and cash flows. The Authority's proprietary funds are used to account for operations (a) that are financed

and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Fund Accounting – As a governmental entity the Authority organizes its accounts on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All of the Authority's funds are classified as proprietary funds. The Authority reports the following major proprietary funds:

- *Clean Water Bond Fund (CWBF)* - The Authority receives federal capitalization grants under Title VI of the Federal Clean Water Act, and state matching grants. These funds are leveraged with proceeds from the Authority's pooled Clean Water revenue bonds to provide below-market-rate loans to municipalities and eligible political subdivisions to facilitate the construction of wastewater treatment facilities. Before the Authority can approve any particular loan, the MCPA must certify the applicant's project based on technical and environmental reviews.
- *Drinking Water Bond Fund (DWBF)* - The Authority receives federal capitalization grants under Section 1452 of the Safe Drinking Water Act and state matching grants. These funds are leveraged with proceeds from the Authority's pooled Drinking Water revenue bonds to provide below-market-rate loans to municipalities to finance costs of drinking water system infrastructure. Before the Authority can approve any particular loan, the Minnesota Department of Health must certify the applicants' projects based on technical and environmental reviews.
- *Transportation Bond Fund (TBF)* - This program was initiated with a federal grant from the U.S. Department of Transportation to the Minnesota Department of Transportation (MnDOT) and state matching grants. The Authority administers the TBF, which provides loans to municipalities and eligible political subdivisions for construction of highways, bridges, and streets, and for purchasing transit capital. MnDOT must certify applicants' projects based on MnDOT's design standards. Four closed, stand alone series of revenue bonds have been issued.
- *Other Fund* - In addition to the pledged bond funds, the Authority manages various legislative appropriations for similar purposes. One of the programs included in the Other Fund is the Wastewater Infrastructure Funding Program (WIF). The Authority receives appropriations from the Minnesota Legislature to fund the program, and in conjunction with any particular loan from the CWBF or financing from the U.S. Department of Agriculture's Rural Development Office, WIF Supplemental Assistance grants are given to eligible municipalities with high-cost wastewater projects. The Other Fund also includes the accounts and activities related to management of the State Revolving Fund programs.

Federal Grants and State Appropriations - The Authority receives federal capitalization grants from the Environmental Protection Agency and, through MnDOT, the Authority has received federal

highway money. This money is used primarily for funding of loans and has also been used as security on bonds, and a portion may be expended for administrative and other set-aside costs. The Authority also receives state appropriations as match to the federal grants and for other Authority loan and grant programs. These federal and state monies are recognized in the financial statements when the associated expenditure obligations have met the eligibility requirement. When used to capitalize the revolving loan funds they are recorded as capital contributions; when used for administrative costs or grants they are recorded as operating revenue.

Cash Equivalents - The Authority considers all investments with an original maturity when purchased of three months or less to be cash equivalents.

Loans Receivable - Loans receivable are carried at their unpaid principal balances, net of any allowances for loan losses. The allowances for loan losses are established based on management's evaluation of the loan portfolio. Generally, the Authority does not provide an allowance for loan losses as the loans are secured by the borrowers' general obligation and revenue pledges.

Investments - The Authority reports investments at fair value in the statement of net assets with changes in the fair value of investments reported in the statement of revenues, expenses, and changes in fund net assets. Fair value of investments was determined based on quoted market prices as of the reporting date. Guaranteed investment contracts of the Authority are contracts purchased from life insurance companies who guarantee the principal and return, and allow money to be withdrawn if needed. The Authority's guaranteed investment contracts are considered nonparticipating and, as such, are reported at cost. The Authority believes it has the ability and intent to hold all investments to maturity to recover the full carrying value of its investment portfolio and does not expect to realize any gain or loss from the market value adjustments as shown in the various funds.

Bond Discounts, Premiums, and Issuance Costs - Bond discounts, premiums, and issuance costs are amortized using the effective interest method over the term of the bond series.

Income Taxes - The Authority is an agency of the State of Minnesota and is exempt from federal and state income taxes.

Restrictions on Net Assets - The use of assets held within each separate bond fund is restricted by the terms and conditions of that fund's bond resolutions. All assets of the Authority, including those not restricted by bond resolutions, are limited in their use by state and federal laws under which the funds were appropriated and / or grant conditions imposed by the federal funding agency. The net assets in the Authority's administrative accounts are reported as unrestricted because they are used for general operating activities.

Defining Operating Revenues and Expenses and Operating Cash Flows - The Authority issues revenue bonds to leverage the capital contributions it receives from federal capitalization grants and state matching grants. These funds are then used to make below-market-rate loans to municipalities and to pay for certain costs of issuance. Investment interest and loan repayments generate the cash flow required to make debt service payments on the bonds. Interest from loans and investment income are included as part of operating revenues and interest expense on bonds is included in operating expenses.

Use of Estimates - The presentation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain Risks and Uncertainties - The Authority invests in various securities including U.S. government securities, and guaranteed investment contracts. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

2. *Deposits, Investments, and Securities Lending Collateral Transactions*

Deposits – The Authority’s investment policy requires it to follow state statutes. Cash deposits of the Authority are invested in a state pool and the pooled balances are insured or collateralized in accordance with Minnesota State Statutes. At June 30, 2008 and 2007, \$283,868,615 and \$149,810,675, respectively, of cash deposits were interest-bearing and \$1,364,598 and \$8,273,150 respectively, of cash deposits were non interest-bearing.

Investments - The Authority’s investment policy limits investments to those permitted by the bond resolutions and the Authority Act. They are composed primarily of guaranteed investment contracts and notes and bills of the U.S. Government and its agencies. Information regarding the Authority’s investments is provided below to give an indication of the risk level assumed at year-end.

Interest Rate Risk - The Authority does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Authority will not be able to recover the value of its investments that are in the possession of another party. The Authority requires for all securities purchased that the securities are at all times insured, registered in the Authority’s name or in the possession of the Authority.

Credit Risk - Excluding U.S. Government backed securities, the Authority's investments at June 30, 2008 and 2007 carried the following ratings by the three nationally recognized statistical rating organizations shown:

Investment type	Standard & Poors	Fitch Ratings	Moodys Investors Service
Federal Home Loan Bank	AAA	AAA	Aaa
Federal Farm Credit Banks	AAA	AAA	Aaa
Federal National Mortgage Association	AAA	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	AAA	Aaa
Guaranteed Investment Contracts	not rated ¹		

¹ The Guaranteed Investment Contracts are not rated but are backed by U.S. Government securities.

Concentration of Credit Risk: For the investments held by the Authority at June 30, 2008 and 2007, state law places no limits on the amount that may be invested in any one issuer. The Authority’s investment policy does not limit the amount invested in any one issuer. Excluding U.S. Government backed securities, more than 5% of the Authority's investments are in the following issuers:

Concentration of Credit risk:	June 30, 2008		June 30, 2007	
	Fair Value	% of Investments	Fair Value	% of Investments
Issuer				
Federal National Mortgage Association	\$ 37,001,500	25%	\$ 35,938,142	23%
Guaranteed Investment Contracts:AIGMFC	24,178,300	16%	24,178,300	16%
Guaranteed Investment Contracts:Societe Generale	18,606,088	12%	18,606,088	12%
Federal Home Loan Banks	16,877,447	11%	16,325,353	10%
Federal Farm Credit Banks	15,992,881	11%	15,318,726	10%
Federal Home Loan Mortgage Corporation	15,786,130	11%	14,920,365	10%

At June 30, 2008, the Authority had the following investments:

Investment type	Fair Value	Investment Maturities (in Years)				WAM ¹
		less than 1	1 to 5	6 to 10	more than 10	
U.S. Treasury Notes	\$ 19,563,213	\$ 19,563,213	\$ -	\$ -	\$ -	0.37
U.S. Treasury SLGS	1,896,741			1,896,741		8.66
Federal Home Loan Bank	16,877,447	5,370,763	11,506,684			1.90
Federal Farm Credit Banks	15,992,881		13,303,952	2,688,929		4.01
Federal National Mortgage Association	37,001,500		37,001,500			2.29
Federal Home Loan Mortgage Corporation	15,786,130		10,181,300	5,604,830		5.99
Guaranteed Investment Contracts	42,784,388	7,380,328	11,225,760	24,178,300		6.53
totals	\$ 149,902,300	\$ 32,314,304	\$ 83,219,197	\$ 34,368,799	\$ -	3.88

At June 30, 2007, the Authority had the following investments:

Investment type	Fair Value	Investment Maturities (in Years)				WAM ¹
		less than 1	1 to 5	6 to 10	more than 10	
U.S. Treasury Notes	\$ 28,565,651	\$ 9,250,657	\$ 19,314,994	\$ -	\$ -	1.13
U.S. Treasury SLGS	1,896,741			1,896,741		9.66
Federal Home Loan Bank	16,325,353		16,325,353			2.90
Federal Farm Credit Banks	15,318,726		9,872,757	5,445,969		5.01
Federal National Mortgage Association	35,938,142		23,675,740	12,262,402		3.29
Federal Home Loan Mortgage Corporation	14,920,365			14,920,365		6.99
Guaranteed Investment Contracts	42,784,388		18,606,088		24,178,300	7.53
totals	\$ 155,749,366	\$ 9,250,657	\$ 87,794,932	\$ 34,525,477	\$ 24,178,300	4.63

¹ WAM: weighted average maturity in years based on par amount.

Securities Lending Collateral Transactions – State statutes do not prohibit the State from participating in securities lending transactions. To enhance the return on investments, the State has, by way of a Custodial Trust Agreement, authorized Wells Fargo Bank, Minnesota, N.A. (Wells Fargo) to act as agent in lending the State's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal years, Wells Fargo lent, on behalf of the State, certain securities held by Wells Fargo as custodian and received cash (United States currency) and securities issued or guaranteed by the United States government, and irrevocable bank letters of credit as collateral. Wells Fargo did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than one hundred percent (100%) of the fair value of the loaned securities, plus accrued interest.

In the event a borrower fails to return a loaned security or fails to pay distributions thereon, Wells Fargo protects the State by purchasing replacement securities or returning the cash collateral. There were no such failures by any borrower to return loaned securities or to pay distributions thereon during the fiscal years. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or Wells Fargo.

During the fiscal years, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of the SBI. As of June 30, 2008, these funds had an average duration of 0.31 years to final and a weighted average maturity of 114 days to final. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, the State had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the State as of June 30, 2008 were \$102,967,609 and \$101,583,747 respectively.

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3. Loans Receivable

Loans receivable at June 30, 2008 and 2007 consisted of the following:

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Clean Water Bond Fund:						
Aitkin, City of-01st	10/15/97	02/20/18	2.240%	\$ 525,000	\$ 291,616	\$ 317,363
Aitkin, City of-02nd	07/15/03	08/20/23	1.000%	1,009,719	879,000	929,000
Albany, City of	04/21/03	02/20/22	3.490%	1,296,061	1,042,000	1,099,000
Albertville, City of	10/19/93	08/20/14	3.320%	1,454,514	579,673	658,392
Alexandria Lake Area Service Region	08/13/07	08/20/27	1.240%	4,968,309	2,755,458	-
Alvarado, City of	10/16/98	02/20/20	1.000%	677,980	422,830	455,840
Annandale, City of	08/17/07	08/20/26	2.220%	16,036,613	8,868,871	-
Appleton, City of	07/13/06	08/20/25	1.070%	1,360,000	685,281	685,281
Aurora, City of	06/24/08	08/20/27	1.277%	3,372,612	-	-
Avon, City of	11/18/02	08/20/22	1.820%	7,943,904	6,090,876	6,468,219
Bagley, City of	07/01/98	08/20/19	1.000%	1,654,075	978,455	1,058,469
Barnesville, City of	07/31/06	08/20/25	1.560%	4,137,640	4,009,153	3,394,967
Battle Lake, City of	06/18/03	08/20/22	1.000%	1,698,073	1,455,000	1,544,000
Baxter, City of	07/24/91	02/20/12	3.530%	875,607	221,855	273,870
Beaver Creek, City of	09/23/94	08/20/15	3.600%	103,102	47,166	52,561
Belle Plaine, City of	01/27/03	08/20/22	1.990%	10,754,000	8,022,759	8,523,759
Benson, City of	07/26/04	08/20/24	1.980%	4,296,201	3,915,201	4,097,322
Bethel, City of	04/17/91	08/20/12	3.030%	396,153	-	-
Bird Island, City of	11/13/06	08/20/26	1.000%	5,164,000	4,194,000	2,581,780
Blue Earth, City of-01st	03/30/00	08/20/20	1.290%	3,290,170	2,337,000	2,501,000
Blue Earth, City of-02nd	07/03/07	08/20/26	1.400%	760,000	241,466	-
Brainerd, City of	03/12/08	08/20/17	2.230%	1,965,098	1,965,098	-
Brooten, City of	08/27/07	08/20/27	1.000%	1,911,710	746,545	-
Browerville, City of-01st	03/06/90	08/20/11	2.420%	552,000	116,704	148,285
Browerville, City of-02nd	09/25/92	03/20/93	0.840%	250,000	-	-
Browerville, City of-03rd	11/19/04	08/20/24	1.000%	521,363	442,685	467,685
Buffalo Lake, City of	01/26/98	02/20/19	2.750%	615,750	377,494	406,741
Caledonia, City of	02/07/94	02/20/15	3.440%	606,675	258,961	291,162
Cambridge, City of-01st	10/16/92	02/20/14	3.090%	10,477,205	3,773,660	4,337,825
Cambridge, City of-02nd	08/17/95	08/20/16	3.450%	247,227	-	-
Cannon Falls, City of-01st	06/27/01	08/20/21	3.070%	4,529,000	3,640,000	3,846,000
Cannon Falls, City of-02nd	11/20/01	08/20/22	2.860%	8,021,909	6,522,909	6,866,909
Canosia Township-01st	09/10/99	08/20/20	1.290%	2,517,810	1,710,000	1,830,000
Canosia Township-02nd	06/11/01	08/20/20	1.290%	207,000	143,000	153,000
Canosia Township-03rd	03/11/02	08/20/20	1.290%	138,000	-	-
Carver, City of	02/16/00	08/20/19	2.860%	1,188,000	813,000	869,000
Cass County	06/23/97	02/20/19	1.130%	1,366,190	859,741	932,744
Cass Lake, City of	02/14/94	02/20/15	1.940%	276,364	108,470	122,808
Cedar Lake Area WSSDB-01st	07/26/01	08/20/21	1.570%	3,225,000	2,103,758	2,237,758
Cedar Lake Area WSSDB-02nd	07/11/02	08/20/21	1.570%	275,097	51,700	132,101
Chandler, City of	09/24/02	08/20/23	1.000%	1,348,589	1,109,490	1,173,490
Chisago Lakes JSTC-01st	11/01/04	08/20/24	2.230%	13,506,690	11,543,832	12,007,506
Chisago Lakes JSTC-02nd	07/20/06	08/20/25	1.000%	4,133,317	2,038,007	2,067,835
Chisholm, City of	05/17/94	02/20/15	3.820%	2,150,644	942,776	1,058,210
Clara City, City of	08/19/97	08/20/18	2.740%	2,138,045	1,022,631	1,105,700
Clear Lake, City of	07/30/97	02/20/19	3.080%	223,506	139,476	149,987
Clearwater, City of	07/23/97	02/20/19	2.080%	1,654,550	993,494	1,073,097

Program Borrower	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
	Loan	Maturity	Rate	Commitment	2008	2007
Clean Water Bond Fund (continued):						
Cokato, City of	10/26/94	02/20/16	3.320%	2,760,000	1,324,968	1,467,375
Cold Spring, City of	02/24/04	08/20/23	2.490%	8,038,000	5,832,781	6,124,313
Cologne, City of	01/03/97	02/20/18	3.320%	1,538,699	877,121	951,648
Cottonwood Township-01st	03/12/99	08/20/20	1.290%	391,546	264,707	283,707
Cottonwood Township-02nd	09/22/99	08/20/20	1.290%	140,296	97,000	104,000
Cottonwood, City of	05/03/04	08/20/24	2.230%	895,920	818,000	857,000
Courtland, City of	05/22/98	08/20/19	1.540%	889,935	544,757	587,741
Cross Lake Area WSSD	07/09/97	02/20/19	2.880%	2,035,802	1,261,444	1,357,647
Dassel, City of	07/30/02	08/20/22	1.380%	1,610,153	1,315,000	1,393,000
Dawson, City of	08/10/04	08/20/24	1.730%	1,788,670	1,628,000	1,709,620
Dayton, City of	08/16/00	08/20/21	3.250%	986,395	489,000	516,000
Delano, City of-01st	05/24/95	08/20/16	4.620%	2,480,000	1,331,579	1,457,015
Delano, City of-02nd	10/16/98	02/20/20	2.980%	1,150,000	769,293	821,931
Delano, City of-03rd	07/22/03	08/20/22	2.090%	11,054,217	9,577,000	10,116,000
Detroit Lakes, City of-01st	09/10/93	08/20/14	2.820%	2,552,820	958,759	1,091,378
Detroit Lakes, City of-02nd	12/19/95	02/20/17	2.930%	3,754,889	1,959,033	2,146,711
Dilworth, City of	03/22/00	08/20/20	3.070%	1,849,510	1,353,000	1,437,000
Dover Eyota Saint Charles SD	05/30/02	08/20/21	3.293%	1,573,871	1,265,000	1,335,000
Duluth, City of-01st	07/24/02	08/20/18	1.000%	364,195	277,000	301,000
Duluth, City of-02nd	10/17/03	08/20/18	1.340%	1,179,115	960,000	1,040,000
Duluth, City of-03rd	06/11/07	08/20/22	1.150%	2,042,350	1,686,940	-
Duluth/NSSD-01st	02/04/00	08/20/20	3.520%	225,000	-	178,000
Duluth/NSSD-02nd	11/30/00	08/20/21	3.830%	300,000	-	245,000
Duluth/NSSD-03rd	07/01/02	08/20/23	1.630%	7,952,500	6,587,000	6,945,000
Duluth/NSSD-04th	03/08/04	08/20/23	1.000%	1,328,050	-	1,260,050
Dundas, City of-01st	03/21/97	02/20/18	2.880%	927,469	529,540	574,641
Dundas, City of-02nd	03/21/97	08/20/99	1.980%	825,000	-	-
East Gull Lake, City of-01st	10/23/91	02/20/13	3.640%	2,226,861	712,705	840,964
East Gull Lake, City of-02nd	08/03/04	08/20/24	1.000%	6,416,500	5,915,000	6,025,000
Ely, City of	01/02/01	08/20/21	1.070%	4,699,982	1,953,000	2,082,000
Elysian, City of	07/31/97	08/20/18	2.130%	1,163,536	671,889	728,423
Evansville, City of	12/11/97	02/20/19	1.250%	673,073	390,583	423,510
Eveleth, City of-01st	06/12/92	02/20/13	4.730%	500,000	170,219	199,743
Eveleth, City of-02nd	09/14/04	08/20/24	1.340%	3,522,034	3,191,000	3,357,000
Eveleth, City of-03rd	11/10/05	08/20/24	1.340%	100,000	1,916	6,916
Fairfax, City of	08/18/95	08/20/16	2.950%	1,506,773	747,410	823,728
Fairmont, City of	05/25/04	08/20/24	1.730%	13,248,347	12,023,000	12,627,252
Farmington, City of	04/04/95	08/20/16	4.630%	764,377	408,293	446,718
Fayal Township-01st	09/22/99	08/20/20	2.110%	4,851,756	3,356,000	3,579,000
Fayal Township-02nd	06/22/01	08/20/21	1.570%	341,468	218,000	232,000
Fayal Township-03rd	10/04/01	08/20/20	2.110%	855,267	512,000	546,000
Fergus Falls, City of-01st	11/22/94	02/20/16	3.920%	3,100,000	-	-
Fergus Falls, City of-02nd	10/07/96	02/20/17	3.740%	450,000	243,774	266,181
Foley, City of	07/21/94	08/20/15	3.320%	1,080,000	489,849	546,501
Forest Prairie Township	04/12/01	08/20/21	1.800%	711,095	535,000	568,000
Garfield, City of-01st	05/09/97	02/20/18	3.080%	100,000	57,559	62,408
Garfield, City of-02nd	06/29/98	08/20/19	1.040%	450,489	265,831	287,486
Garrison, Kathio, WMLL SSD-01st	01/09/01	08/20/21	1.620%	500,000	368,000	391,000
Garrison, Kathio, WMLL SSD-02nd	06/04/07	08/20/26	1.000%	6,530,900	2,463,313	1,608,838
Glyndon, City of	08/14/91	02/20/13	3.640%	671,323	199,870	235,784
Good Thunder, City of	10/15/99	08/20/19	1.290%	1,010,545	698,000	751,000

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Clean Water Bond Fund (continued):						
Goodhue County	04/29/97	02/20/18	1.580%	141,175	76,073	83,042
Grand Lake Township-01st	09/02/99	08/20/20	1.290%	1,131,190	767,000	821,000
Grand Lake Township-02nd	05/29/01	08/20/20	1.290%	93,000	65,000	70,000
Grand Lake Township-03rd	02/19/02	08/20/20	1.290%	62,000	-	-
Granite Falls, City of	12/20/95	08/20/06	3.180%	200,000	-	-
Grey Eagle, City of	02/03/97	02/20/18	1.220%	410,000	163,331	178,607
Hackensack, City of	11/21/97	02/20/18	1.250%	287,844	151,623	165,775
Hancock, City of	06/29/93	02/20/14	2.210%	367,116	127,397	147,062
Hanover, City of	08/18/99	08/20/20	2.290%	1,909,275	1,190,086	1,423,000
Harmony, City of-01st	02/25/93	02/20/14	3.340%	1,216,700	444,486	511,829
Harmony, City of-02nd	05/13/04	08/20/23	1.000%	625,465	538,000	569,000
Harris, City of	12/11/06	08/20/26	1.000%	5,375,403	4,775,339	2,365,287
Hawley, City of-01st	07/12/06	08/20/25	1.060%	1,010,111	1,010,111	832,931
Hawley, City of-02nd	06/17/08	08/20/27	2.293%	133,000	-	-
Hector, City of	12/14/94	02/20/16	3.920%	1,914,260	943,460	1,042,268
Henderson, City of	08/27/07	08/20/27	1.490%	3,713,099	3,418,815	-
Hendrum, City of	11/15/07	08/20/27	2.279%	229,220	185,260	-
Henning, City of	09/15/92	02/20/14	39.000%	606,500	187,019	217,727
Hewitt, City of-01st	09/05/90	02/20/11	0.000%	75,000	11,000	15,000
Hewitt, City of-02nd	12/04/91	08/20/12	0.000%	335,000	75,375	92,125
Hibbing, City of	12/16/02	08/20/22	1.740%	9,847,450	8,121,000	8,591,000
Hinckley, City of-01st	09/25/92	02/20/14	2.090%	1,850,839	277,533	320,516
Hinckley, City of-02nd	07/28/99	08/20/20	2.110%	2,435,641	1,682,000	1,794,000
Hoffman, City of	10/02/97	02/20/19	1.990%	263,440	157,676	170,380
Hudson Township	05/02/07	08/20/27	1.000%	3,025,426	2,423,821	-
Hutchinson, City of	06/26/07	08/20/26	2.150%	14,774,600	12,433,563	-
Ida Township	03/28/01	08/20/21	1.980%	7,536,190	5,060,000	5,370,000
Isanti, City of	09/18/96	08/20/17	2.630%	4,682,145	2,236,150	2,440,894
Jasper, City of	08/25/95	08/20/16	2.440%	778,200	377,192	416,670
Jordan, City of	05/30/00	08/20/21	2.290%	6,850,120	5,205,000	5,517,000
Kandiyohi County-01st	09/22/99	08/20/20	2.250%	7,188,360	5,192,000	5,533,000
Kandiyohi County-02nd	11/30/00	08/20/21	2.250%	3,648,450	2,769,000	2,936,000
Kandiyohi County-03rd	10/10/01	08/20/21	2.140%	651,000	493,000	523,000
Kandiyohi County-04th	10/17/06	08/20/26	1.000%	3,761,876	3,761,876	2,519,575
Kasson, City of	08/17/01	08/20/21	3.070%	7,632,919	6,016,000	6,356,000
Knife River Larson SSD	10/25/05	08/20/25	1.310%	882,212	835,212	876,212
Koochiching County	08/09/05	08/20/25	1.000%	4,816,795	3,756,004	1,908,983
Lake Benton, City of	11/21/91	08/20/12	2.660%	169,000	46,136	55,669
Lake City, City of-01st	08/25/93	08/20/14	3.740%	1,442,000	589,629	668,389
Lake City, City of-02nd	11/24/96	02/20/17	3.320%	1,500,000	797,486	872,374
Lake City, City of-03rd	08/18/99	08/20/20	2.860%	1,226,667	854,000	908,000
Lake City, City of-04th	09/30/02	08/20/23	2.990%	4,800,000	4,095,000	4,292,000
Lake Crystal, City of	10/30/03	08/20/23	2.340%	1,571,616	1,377,000	1,447,000
Lake Lillian, City of	02/13/07	08/20/26	1.000%	257,200	226,216	22,804
Lake Mary Township-01st	05/05/98	08/20/19	1.540%	2,120,212	893,398	1,130,523
Lake Mary Township-02nd	09/11/00	08/20/20	1.360%	377,951	192,000	205,525
Lake Park, City of	11/14/03	08/20/23	1.590%	424,520	355,520	374,520
Lake Shore, City of	04/22/91	02/20/12	3.420%	504,690	128,584	158,162
Lake Washington SD	06/23/04	08/20/24	1.480%	6,490,000	5,345,312	5,681,217
Lakefield, City of	05/03/96	08/20/17	2.630%	1,143,940	617,676	674,233
Laketown Township	08/12/98	08/20/19	1.790%	1,020,000	553,045	703,400

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Clean Water Bond Fund (continued):						
Landfall, City of	01/26/94	02/20/15	1.940%	1,088,007	429,279	486,015
Lanesboro, City of	08/15/96	08/20/17	2.680%	492,733	266,473	290,815
Le Center, City of-01st	07/01/94	08/20/15	2.960%	2,315,710	1,030,164	1,151,227
Le Center, City of-02nd	08/10/04	08/20/24	1.980%	2,595,136	2,360,286	2,477,136
Le Sueur, City of	08/27/07	08/20/27	1.000%	16,353,395	12,534,523	-
Leota Sanitary District	08/10/99	08/20/19	1.000%	256,598	166,000	179,000
Lester Prairie, City of	07/10/06	08/20/25	1.560%	5,055,200	4,354,528	4,129,958
Lewiston, City of	07/17/01	08/20/21	2.320%	1,630,000	1,286,000	1,363,000
Lismore, City of	08/07/95	02/20/16	2.070%	550,000	247,463	275,627
Litchfield, City of	12/27/01	08/20/22	2.680%	10,963,561	8,897,000	9,374,000
Little Falls, City of-01st	02/03/03	08/20/22	1.240%	4,248,645	3,475,000	3,685,000
Little Falls, City of-02nd	07/11/05	08/20/22	1.240%	2,050,000	1,788,468	1,878,406
Little Falls, City of-03rd	07/11/05	08/20/22	1.240%	747,913	533,029	473,734
Long Prairie, City of	06/24/02	08/20/23	2.170%	3,500,000	-	-
Lonsdale, City of	11/03/03	08/20/23	2.340%	6,644,792	5,815,792	6,112,792
Mabel, City of	08/13/03	08/20/23	1.090%	1,562,875	1,341,000	1,417,000
Madelia, City of-01st	01/25/93	02/20/14	2.010%	2,415,000	828,185	956,828
Madelia, City of-02nd	11/14/06	08/20/26	1.000%	4,732,813	4,732,813	4,563,635
Madison Lake, City of	11/01/95	02/20/17	0.000%	301,512	135,680	150,756
Mankato, City of-01st	05/21/98	08/20/19	3.070%	24,682,000	15,988,338	17,131,759
Mankato, City of-02nd	11/09/00	08/20/19	3.070%	678,000	472,000	504,000
Mayer, City of	01/14/00	08/20/20	2.570%	689,274	496,000	528,000
Medford, City of	08/02/07	08/20/26	2.240%	1,525,000	1,162,492	-
Metropolitan Council-01st	07/12/89	02/20/09	5.382%	40,000,000	2,800,000	5,600,000
Metropolitan Council-02nd	08/08/90	02/20/10	6.054%	65,000,000	-	-
Metropolitan Council-03rd	06/11/91	08/20/12	5.316%	37,300,000	-	-
Metropolitan Council-04th	06/11/91	08/20/12	6.420%	27,700,000	-	-
Metropolitan Council-05th	05/04/92	08/20/13	4.862%	40,000,000	-	-
Metropolitan Council-06th	07/20/93	02/20/14	4.710%	20,000,000	-	10,180,000
Metropolitan Council-07th	11/28/94	08/20/15	4.440%	40,000,000	-	-
Metropolitan Council-08th	09/30/96	08/20/16	3.824%	40,000,000	21,500,000	23,500,000
Metropolitan Council-09th	10/03/97	08/20/17	3.405%	40,000,000	26,000,000	26,925,000
Metropolitan Council-10th	12/31/98	08/20/19	3.140%	60,000,000	44,175,000	45,160,000
Metropolitan Council-11th	07/27/00	08/20/20	3.757%	60,000,000	50,125,000	52,230,000
Metropolitan Council-12th	11/14/01	08/20/21	3.543%	75,000,000	64,700,000	66,700,000
Metropolitan Council-13th	12/20/02	02/20/22	3.383%	100,000,000	88,200,000	91,700,000
Metropolitan Council-14th	11/26/03	08/20/23	3.090%	100,000,000	89,000,000	92,500,000
Metropolitan Council-15th	10/31/03	02/20/16	0.000%	0	2,259,905	2,646,650
Metropolitan Council-16th	10/20/04	02/20/25	2.536%	50,000,000	40,700,000	42,500,000
Metropolitan Council-17th	11/10/05	02/20/25	2.840%	40,000,000	37,000,000	39,000,000
Metropolitan Council-18th	09/13/06	08/20/26	2.730%	50,000,000	49,250,000	48,096,358
Metropolitan Council-19th	10/11/07	08/20/27	3.181%	80,000,000	40,604,631	-
Montgomery, City of	02/05/03	08/20/22	1.000%	8,507,628	6,830,998	7,251,731
Monticello, City of	03/13/97	08/20/18	4.080%	14,700,000	-	9,855,683
Montrose, City of-01st	08/04/89	08/20/09	3.470%	1,310,000	-	-
Montrose, City of-02nd	08/27/02	08/20/22	2.740%	4,209,000	3,554,000	3,744,000
Montrose, City of-03rd	02/21/03	08/20/22	2.740%	1,566,000	1,303,000	1,373,000
Moorhead, City of-01st	09/23/94	02/20/15	4.100%	2,478,112	1,093,150	1,225,477
Moorhead, City of-02nd	05/23/95	08/20/16	4.100%	1,601,443	837,380	918,226
Moorhead, City of-03rd	09/29/97	02/20/18	3.290%	426,290	246,557	267,071
Moorhead, City of-04th	05/06/02	08/20/22	3.130%	3,389,288	2,764,000	2,907,000

Program Borrower	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
	Loan	Maturity	Rate	Commitment	2008	2007
Clean Water Bond Fund (continued):						
Moorhead, City of-05th	06/21/04	08/20/23	1.980%	6,598,073	5,786,099	6,070,584
Moorhead, City of-06th	07/18/07	08/20/26	1.990%	12,442,715	7,670,132	-
Moose Lake, City of-01st	10/13/94	08/20/15	2.920%	2,250,000	999,284	1,116,849
Moose Lake, City of-02nd	02/25/97	08/20/15	2.845%	175,813	82,233	91,939
Morgan, City of-01st	09/23/93	08/20/14	2.570%	131,280	50,168	57,173
Morgan, City of-02nd	09/30/94	02/20/16	2.570%	640,309	295,671	328,562
Morris, City of	10/19/93	02/20/15	3.320%	2,146,672	914,209	1,028,528
Morristown, City of	11/19/98	02/20/20	1.810%	1,229,797	790,227	848,695
Murray County	08/25/06	08/20/26	1.010%	11,554,549	10,862,959	8,153,939
New Ulm, City of-01st	06/15/95	08/20/16	4.850%	6,227,000	-	-
New Ulm, City of-02nd	06/19/07	08/20/26	2.650%	4,002,900	2,947,827	-
New York Mills, City of	11/15/06	08/20/26	1.000%	3,773,320	3,285,814	2,265,490
Nicollet, City of	08/03/95	02/20/17	3.200%	1,260,000	666,048	729,001
Nisswa, City of-01st	08/10/90	02/20/12	3.670%	2,634,561	684,002	840,286
Nisswa, City of-02nd	05/02/00	08/20/19	2.020%	288,760	194,000	208,000
North Branch, City of	08/05/03	08/20/23	2.340%	11,500,000	10,085,000	10,600,000
North Mankato, City of-01st	11/25/97	02/20/19	3.405%	1,032,679	652,698	700,737
North Mankato, City of-02nd	09/30/99	08/20/19	3.140%	442,988	304,000	325,000
Northfield, City of	05/02/00	08/20/21	3.040%	18,390,072	14,184,000	14,987,000
Olivia, City of	09/26/97	02/20/19	3.490%	1,122,092	709,299	761,444
Ortonville, City of	05/05/08	08/20/27	2.290%	553,407	324,208	-
Park Rapids, City of-01st	08/23/95	02/20/17	3.200%	11,203,311	5,922,027	6,481,783
Park Rapids, City of-02nd	12/31/97	02/20/17	3.200%	1,205,000	640,034	700,531
Pelican Rapids, City of	11/04/92	02/20/03	3.450%	86,315	-	-
Pemberton, City of	02/03/97	02/20/18	1.580%	372,136	200,632	219,014
Pillager, City of	11/21/91	02/20/13	2.530%	500,000	149,369	177,073
Pine Island, City of	07/14/92	08/20/13	3.480%	2,254,355	749,647	879,122
Pipestone, City of	09/04/97	08/20/07	1.990%	301,247	-	16,118
Plainview-Elgin SSD	08/27/90	02/20/12	3.920%	1,401,104	-	-
Plato, City of-01st	04/20/99	08/20/19	1.290%	107,025	67,000	72,000
Plato, City of-02nd	03/27/00	08/20/21	1.860%	857,047	630,000	669,000
Pokegama Township	06/26/96	08/20/17	2.630%	2,416,802	323,989	888,980
Princeton, City of	03/13/95	08/20/16	3.880%	4,254,663	2,205,138	2,420,394
Proctor, City of	07/26/07	08/20/22	1.240%	104,119	104,119	-
Ramsey Washington MWD-01st	06/13/97	08/20/17	3.824%	540,835	308,085	334,526
Ramsey Washington MWD-02nd	09/24/98	08/20/18	3.340%	711,431	439,023	473,412
Red Wing, City of-01st	12/20/96	08/20/17	3.824%	750,000	424,663	461,359
Red Wing, City of-02nd	12/02/97	02/20/18	3.405%	700,000	408,320	442,098
Red Wing, City of-03rd	05/22/98	08/20/18	3.340%	2,500,000	1,440,418	1,561,631
Red Wing, City of-04th	10/11/02	08/20/22	3.740%	1,494,594	1,234,000	1,295,000
Red Wing, City of-05th	08/24/04	08/20/24	2.340%	5,283,360	4,832,000	5,061,000
Redwood Falls, City of	12/11/96	08/20/17	2.490%	133,900	71,822	78,450
Renville, City of	08/22/96	02/20/17	2.470%	794,818	405,481	445,259
Rice, City of	10/13/04	08/20/24	1.980%	1,244,620	1,042,673	1,038,789
Richmond, City of	11/01/06	08/20/26	1.000%	7,679,889	7,216,623	7,004,405
Rockford, City of	08/14/97	02/20/19	3.990%	1,694,279	1,044,947	1,120,971
Rockville, City of-01st	12/19/95	02/20/17	0.000%	869,580	391,311	434,790
Rockville, City of-02nd	04/22/04	08/20/24	1.340%	9,235,403	8,334,687	8,698,726
Rogers, City of-01st	08/03/92	08/20/13	3.200%	1,023,299	347,686	404,659
Rogers, City of-02nd	12/23/94	02/20/16	4.170%	2,710,873	1,354,171	1,494,193
Rollingstone, City of	04/12/00	08/20/20	2.790%	532,035	392,000	417,000

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Clean Water Bond Fund (continued):						
Roseau, City of-01st	05/09/94	08/20/14	2.990%	237,000	89,559	102,233
Roseau, City of-02nd	11/01/95	02/20/17	2.950%	950,000	496,472	543,994
Rush City, City of	03/05/99	08/20/19	1.040%	4,097,542	2,561,000	2,760,000
Rushford Village, City of	05/30/96	02/20/17	3.180%	168,403	87,648	96,049
Rushford, City of	06/04/96	08/20/17	3.430%	1,101,488	616,178	670,210
Rushmore, City of	10/03/05	08/20/24	1.210%	424,101	383,000	403,377
Russell, City of	08/08/90	02/20/12	2.920%	155,450	38,635	47,626
Sacred Heart, City of	07/17/97	08/20/18	1.580%	1,441,093	812,795	883,434
Saint Augusta, City of	09/02/03	08/20/23	2.090%	4,389,732	3,673,000	3,864,185
Saint Clair, City of	09/28/98	08/20/19	1.480%	2,653,226	1,618,726	1,746,944
Saint Cloud, City of	07/23/97	08/20/18	3.630%	4,812,000	2,950,857	3,178,036
Saint Hilaire, City of	03/27/98	02/20/19	2.250%	15,641	8,452	9,125
Saint James, City of	07/12/89	08/20/11	4.590%	5,704,341	-	-
Saint Michael, City of-01st	08/07/95	08/20/16	4.200%	3,686,833	-	-
Saint Michael, City of-02nd	01/28/00	08/20/19	3.540%	586,927	409,000	436,000
Saint Michael, City of-03rd	09/19/00	08/20/21	4.660%	6,722,516	-	-
Saint Paul, City of-01st	08/23/93	08/20/14	2.570%	1,072,837	410,087	467,360
Saint Paul, City of-02nd	11/10/94	08/20/15	3.600%	600,000	276,103	307,652
Saint Paul, City of-03rd	12/20/95	08/20/16	3.200%	600,000	301,860	332,316
Saint Paul, City of-04th	06/21/96	02/20/17	2.880%	4,269,844	2,224,445	2,438,095
Saint Paul, City of-05th	01/17/97	02/20/18	3.820%	1,500,000	890,230	962,101
Saint Paul, City of-06th	01/13/98	02/20/19	3.250%	3,100,000	1,947,626	2,092,788
Saint Paul, City of-07th	02/18/99	08/20/19	2.790%	4,600,000	3,060,000	3,270,000
Saint Paul, City of-08th	09/12/00	08/20/20	3.870%	8,965,000	6,912,000	7,315,000
Saint Peter, City of-01st	12/29/00	08/20/21	2.040%	11,733,250	8,874,000	9,417,000
Saint Peter, City of-02nd	09/17/02	08/20/22	2.040%	7,260,850	4,375,000	4,622,000
Saint Péter, City of-03rd	12/15/03	08/20/22	3.480%	2,240,000	1,970,000	2,069,000
Sauk Centre, City of	10/30/95	08/20/16	3.200%	1,407,000	707,957	779,373
Shafer, City of-01st	03/17/95	08/20/16	2.240%	174,000	83,439	92,263
Shafer, City of-02nd	09/24/02	08/20/23	1.630%	1,167,000	969,000	1,022,000
Shingobee Township	01/24/00	08/20/20	1.000%	60,240	39,000	42,000
Shorewood Park SD / Rush Lake SD	12/19/95	02/20/17		625,000	281,250	312,500
Silver Bay, City of	09/23/94	02/20/16	2.820%	1,490,796	697,741	774,474
Silver Creek Township-01st	03/23/99	08/20/20	2.290%	1,700,000	1,189,000	1,267,000
Silver Creek Township-02nd	06/11/01	08/20/20	2.290%	350,000	29,000	271,000
Skyline, City of	07/12/04	08/20/24	1.000%	1,179,511	1,068,000	1,125,000
Spring Lake Township-01st	06/11/01	08/20/21	1.290%	1,263,000	671,000	715,000
Spring Lake Township-02nd	11/22/04	08/20/24	1.000%	1,100,000	997,000	1,051,000
Springsteel Island SD	09/04/07	08/20/27	1.000%	986,436	663,195	-
Stewart, City of	10/02/98	02/20/19	1.000%	150,000	86,186	93,562
Sturgeon Lake, City of	02/21/07	08/20/26	1.000%	4,495,958	4,469,079	485,311
Thief River Falls, City of	07/16/98	08/20/19	2.790%	925,525	592,869	636,050
Tofte Schroeder SSD	01/14/02	08/20/21	2.930%	230,481	71,271	92,271
Tracy, City of	06/30/00	08/20/20	2.110%	1,434,769	1,019,000	1,087,000
Trimont, City of	11/17/04	08/20/24	1.000%	1,699,869	1,537,000	1,619,869
Twin Lakes Township-01st	10/25/93	02/20/15	2.070%	1,165,729	461,513	522,178
Twin Lakes Township-02nd	08/17/01	08/20/21	1.640%	286,842	214,000	228,000
Two Harbors, City of	03/11/94	02/20/15	2.440%	2,200,000	892,982	1,008,742
Verndale, City of	07/10/97	02/20/18	1.130%	155,809	82,057	89,769
Wabasha, City of	07/22/03	08/20/22	1.590%	5,866,644	4,995,000	5,288,000
Walker, City of	04/03/95	08/20/16	2.600%	2,182,510	1,065,043	1,175,654

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Clean Water Bond Fund (continued):						
Walnut Grove, City of	04/15/93	02/20/14	0.600%	767,041	211,640	278,703
Watertown, City of	05/11/93	08/20/14	3.490%	3,300,000	1,328,857	1,508,355
Watkins, City of	01/03/07	08/20/25	1.270%	1,631,700	1,628,000	1,631,700
Waverly, City of	11/27/91	08/20/11	2.640%	623,933	132,949	168,745
Wells, City of	10/29/04	08/20/24	1.960%	1,560,000	1,423,000	1,493,000
West Concord, City of-01st	09/20/96	02/20/18	3.990%	281,777	168,255	181,721
West Concord, City of-02nd	06/10/04	08/20/24	1.000%	2,231,649	2,023,000	2,131,286
Western Lake Superior SD-01st	10/10/91	08/20/12	4.780%	5,078,000	1,861,666	2,224,323
Western Lake Superior SD-02nd	03/06/97	02/20/13	4.330%	4,400,000	1,789,520	2,103,684
Western Lake Superior SD-03rd	10/21/98	02/20/20	3.980%	4,517,000	3,121,171	3,320,640
Western Lake Superior SD-04th	09/02/99	08/20/14	3.560%	835,800	463,000	520,000
Western Lake Superior SD-05th	10/13/99	08/20/20	4.270%	21,053,000	16,021,000	16,929,000
Western Lake Superior SD-06th	10/06/00	08/20/21	4.870%	7,023,372	5,636,006	5,913,006
Western Lake Superior SD-07th	10/29/02	08/20/18	3.240%	3,149,184	2,475,000	2,660,000
Western Lake Superior SD-08th	07/17/06	08/20/21	2.820%	4,100,000	3,441,328	759,105
Western Lake Superior SD-09th	04/08/08	08/20/23	2.611%	2,603,000	1,533,713	-
Wheaton, City of	06/26/03	08/20/22	2.240%	2,505,000	2,077,000	2,192,000
Willmar, City of	06/28/96	08/20/17	3.130%	4,300,000	2,373,384	2,585,011
Windom, City of-01st	01/26/94	02/20/14	2.440%	352,380	121,741	140,792
Windom, City of-02nd	05/17/94	08/20/15	2.710%	3,886,970	1,706,765	1,909,395
Windom, City of-03rd	12/20/95	02/20/11	2.450%	298,884	68,813	90,656
Winnebago, City of	07/12/89	09/10/90	3.840%	640,000	-	-
Woodland, City of	06/12/97	08/20/18	2.580%	698,775	359,612	393,947
Zimmerman, City of-01st	11/30/89	02/20/11	4.970%	93,000	-	-
Zimmerman, City of-02nd	08/10/90	02/20/12	3.670%	1,281,340	-	-
Zimmerman, City of-03rd	04/09/99	08/20/20	2.040%	4,173,493	3,022,000	3,223,000
Clean Water Bond Fund				1,821,833,466	1,121,065,180	1,071,839,591
Drinking Water Bond Fund:						
Ada, City of-01st	06/25/04	08/20/23	1.090%	2,380,000	2,040,000	2,156,000
Ada, City of-02nd	12/06/05	08/20/23	1.090%	264,245	247,000	261,000
Adrian, City of	10/30/98	08/20/18	3.320%	259,660	169,000	182,000
Albany, City of	05/17/06	08/20/25	1.960%	4,890,184	4,564,062	3,559,221
Alexandria, City of	07/30/02	08/20/22	3.380%	1,050,117	860,000	903,000
Annandale, City of	01/13/04	08/20/23	2.819%	3,273,194	2,756,000	2,891,000
Argyle, City of	09/30/98	08/20/19	2.570%	229,655	154,000	165,000
Arlington, City of	02/21/03	08/20/17	2.990%	110,000	80,000	87,000
Askov, City of	09/30/98	08/20/19	1.000%	479,781	296,000	320,000
Avon, City of	10/08/03	08/20/23	2.840%	666,554	463,516	512,350
Babbitt, City of	08/29/01	08/20/21	2.820%	1,316,806	1,012,000	1,070,000
Bagley, City of	08/10/04	08/20/23	1.730%	1,074,120	927,120	977,120
Battle Lake, City of	06/18/03	08/20/22	1.490%	1,377,006	1,134,000	1,201,000
Baudette, City of	11/09/04	08/20/24	2.460%	337,729	300,000	229,968
Becker County	09/22/03	08/20/22	1.680%	135,430	112,000	118,000
Big Lake, City of	11/04/04	08/20/24	2.530%	9,787,000	7,933,550	8,264,813
Blue Earth, City of-01st	09/05/06	08/20/26	2.570%	305,456	296,382	305,456
Blue Earth, City of-02nd	03/19/07	08/20/26	2.400%	1,174,600	1,107,862	824,244
Braham, City of	03/25/04	08/20/23	1.590%	1,468,370	1,263,000	1,331,370
Breitung Township-01st	11/01/01	08/20/21	2.070%	94,177	70,000	74,000
Breitung Township-02nd	12/16/02	08/20/22	2.490%	117,500	94,000	99,000

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Drinking Water Bond Fund (continued):						
Brooten, City of	12/05/00	08/20/20	3.410%	373,401	269,000	285,000
Browerville, City of	10/21/98	08/20/18	2.040%	213,876	133,000	144,000
Brownton, City of	11/03/99	08/20/19	2.980%	188,100	130,000	139,000
Buffalo Lake, City of	08/18/99	08/20/19	2.540%	754,776	506,000	542,000
Butterfield, City of	02/11/02	08/20/21	2.070%	246,972	185,000	196,000
Callaway, City of	07/11/06	08/20/25	1.310%	375,811	356,811	355,725
Cambridge, City of	09/17/01	08/20/21	4.050%	2,080,000	1,644,000	1,730,000
Canby, City of	11/10/98	08/20/18	1.790%	2,020,499	1,246,000	1,348,000
Cannon Falls, City of	06/27/01	08/20/21	4.070%	5,331,000	4,215,000	4,435,000
Carlton, City of	05/01/07	08/20/26	1.490%	1,567,709	1,154,969	68,975
Carver, City of	12/15/03	08/20/23	2.819%	2,711,000	2,108,935	2,208,080
Cass Lake, City of	05/20/03	08/20/22	1.990%	626,693	526,000	556,000
Chokio, City of	01/26/06	08/20/25	1.310%	750,000	665,658	686,806
Clara City, City of	11/13/01	08/20/21	2.320%	2,472,224	1,863,000	1,975,000
Clearwater, City of-01st	11/23/02	08/20/22	2.130%	667,320	527,000	556,834
Clearwater, City of-02nd	07/22/03	08/20/22	2.680%	183,957	153,000	160,312
Cloquet, City of	10/08/02	08/20/22	3.380%	1,913,773	1,555,768	1,634,768
Cokato, City of-01st	06/14/00	08/20/15	3.910%	613,137	409,000	452,000
Cokato, City of-02nd	01/13/04	08/20/23	3.180%	4,410,593	3,756,488	3,937,488
Cold Spring, City of	12/18/98	08/20/08	3.540%	489,000	62,000	122,000
Coleraine, City of	12/12/02	08/20/22	2.380%	1,572,375	1,263,000	1,332,000
Comfrey, City of	10/16/98	08/20/18	2.040%	149,107	93,000	100,000
Cosmos, City of-01st	06/15/05	08/20/24	1.720%	912,706	825,706	867,706
Cosmos, City of-02nd	05/09/08	08/20/27	1.092%	550,000	360,688	-
Cromwell, City of	04/12/99	08/20/19	1.000%	62,361	41,000	44,000
Dalton, City of	04/14/03	08/20/22	2.680%	118,819	95,108	101,108
Dassel, City of	07/02/99	08/20/19	2.040%	1,768,142	1,188,000	1,275,000
Dawson, City of	09/20/02	08/20/22	3.320%	914,497	747,000	785,000
Dayton, City of	08/16/00	08/20/20	3.750%	2,269,906	1,684,000	1,783,000
Deer River, City of	10/29/02	08/20/22	1.630%	303,062	238,000	252,000
Dover, City of	12/11/00	08/20/20	3.410%	464,776	339,000	359,000
Duluth, City of-01st	07/31/03	08/20/18	2.819%	970,000	761,000	819,000
Duluth, City of-02nd	07/02/04	08/20/18	2.530%	1,971,532	1,538,000	1,658,301
Eden Valley, City of-01st	08/21/00	08/20/20	3.160%	1,881,057	1,368,000	1,452,000
Eden Valley, City of-02nd	06/27/01	08/20/21	2.320%	644,890	488,000	517,000
Edgerton, City of	07/11/02	08/20/22	3.380%	395,035	320,000	336,000
Elizabeth, City of	07/17/07	08/20/26	1.000%	627,450	544,656	-
Ellendale, City of-01st	08/28/06	08/20/26	1.570%	1,628,000	1,540,407	1,124,768
Ellendale, City of-02nd	06/26/08	08/20/27	1.000%	1,163,508	-	-
Ely, City of	12/13/00	08/20/20	3.410%	1,177,302	861,000	913,000
Elysian, City of	09/18/03	08/20/23	1.990%	478,520	401,000	422,000
Evansville, City of	10/03/06	08/20/26	1.760%	131,203	127,390	128,486
Eveleth, City of	09/26/07	08/20/27	2.400%	2,545,281	1,314,808	-
Fairfax, City of	08/06/99	08/20/19	2.040%	1,265,806	848,000	910,000
Fertile, City of	01/27/03	08/20/22	1.130%	1,087,739	840,000	891,000
Finlayson, City of	11/28/00	08/20/20	1.910%	211,828	148,000	158,000
Fisher, City of	09/07/04	08/20/24	1.000%	2,077,920	1,790,000	1,886,000
Fosston, City of	07/11/05	08/20/24	1.470%	1,454,455	1,317,231	1,386,231
Frost, City of	01/09/06	08/20/25	1.310%	378,126	353,000	370,870
Fulda, City of	07/30/98	08/20/18	2.320%	503,117	304,000	328,000
Gilbert, City of	04/30/03	08/20/23	2.880%	157,764	134,000	141,000

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Drinking Water Bond Fund (continued):						
Glenwood, City of-01st	05/30/00	08/20/19	1.980%	1,081,126	752,000	807,000
Glenwood, City of-02nd	11/09/04	08/20/24	2.210%	675,000	596,000	625,000
Glyndon, City of	10/29/02	08/20/22	2.380%	867,071	686,071	724,071
Grand Marais, City of-01st	04/27/99	08/20/19	2.560%	484,112	332,000	355,000
Grand Marais, City of-02nd	08/11/04	02/20/24	2.530%	812,229	693,000	727,576
Grand Rapids, City of	01/03/00	08/20/19	3.040%	1,079,657	744,000	795,000
Hamburg, City of-01st	07/22/03	08/20/22	2.490%	225,640	188,000	198,000
Hamburg, City of-02nd	07/27/04	08/20/24	2.340%	950,709	831,000	871,000
Harris, City of-01st	10/26/99	08/20/19	3.290%	142,000	99,000	106,000
Harris, City of-02nd	08/29/06	08/20/26	2.320%	1,333,450	1,297,057	1,314,869
Hawley, City of-01st	06/27/01	08/20/21	3.320%	660,000	508,000	536,000
Hawley, City of-02nd	07/10/06	08/20/25	1.560%	2,565,987	2,456,987	2,056,560
Hawley, City of-03rd	06/17/08	08/20/27	1.290%	168,000	-	-
Henning, City of	12/06/05	08/20/25	1.000%	539,404	501,604	528,604
Hibbing, City of-PUC	07/19/01	08/20/20	3.050%	1,434,777	1,080,000	1,147,000
Hinckley, City of-01st	11/17/00	08/20/20	4.160%	542,777	403,000	426,000
Hinckley, City of-02nd	10/05/01	08/20/21	2.820%	1,367,480	1,042,000	1,102,000
Hitterdal, City of	03/13/06	08/20/25	1.810%	157,957	150,000	157,000
Hoffman, City of	08/14/04	08/20/24	1.480%	833,461	721,000	758,461
Howard Lake, City of	10/13/99	08/20/19	3.060%	287,662	200,000	214,000
Hutchinson, City of-01st	08/01/05	08/20/24	2.530%	5,697,247	4,982,907	4,827,936
Hutchinson, City of-02nd	08/07/06	08/20/25	2.629%	12,216,000	11,951,000	10,923,284
Ironton, City of	07/27/04	08/20/23	1.090%	405,300	347,300	367,300
Isanti, City of	07/10/07	08/20/26	2.630%	965,000	935,999	-
Jordan, City of-01st	11/05/98	08/20/18	3.540%	307,917	202,000	217,000
Jordan, City of-02nd	06/30/03	08/20/23	2.819%	1,052,939	890,000	937,939
Kandiyohi County-01st	08/18/99	08/20/19	3.540%	4,446,000	3,124,000	3,330,000
Kandiyohi County-02nd	12/29/99	08/20/19	3.540%	2,262,450	1,582,450	1,686,450
Kandiyohi County-03rd	11/30/00	08/20/20	3.540%	1,012,260	746,000	791,000
Kandiyohi County-04th	10/10/01	08/20/21	3.540%	233,000	180,000	190,000
Keewatin, City of	08/28/02	08/20/22	2.880%	500,000	408,000	430,000
Kenyon, City of	12/16/02	08/20/22	3.240%	224,000	98,000	107,000
Kiester, City of	10/15/01	08/20/21	3.070%	228,636	172,000	182,000
Lake Lillian, City of	09/13/06	08/20/26	1.000%	678,400	601,340	600,421
Lake Park, City of	09/08/03	08/20/23	2.090%	397,006	331,000	348,000
Lakefield, City of	09/26/02	08/20/22	2.880%	2,272,080	1,831,000	1,927,000
Lamberton, City of	08/06/99	08/20/19	1.860%	262,182	115,180	187,000
Le Center, City of-01st	08/11/06	08/20/26	1.820%	3,650,600	3,411,074	2,809,405
Le Center, City of-02nd	08/14/07	08/20/27	1.650%	544,600	505,011	-
Lewiston, City of-01st	12/20/99	08/20/19	3.790%	312,934	217,000	231,000
Lewiston, City of-02nd	05/29/01	08/20/20	3.820%	270,000	208,000	220,000
Lismore, City of	08/17/01	08/20/21	2.570%	174,060	133,000	141,000
Litchfield, City of-PUC	05/24/99	08/20/19	3.540%	4,092,166	2,879,000	3,069,000
Littlefork, City of	07/28/99	08/20/19	1.810%	181,277	120,000	129,000
Long Prairie, City of	04/06/01	08/20/20	3.910%	1,098,586	836,000	885,000
Loretto, City of	05/09/06	08/20/25	2.310%	761,704	746,704	752,765
Lyle, City of	06/27/00	08/20/20	3.000%	311,040	225,000	239,000
Lynd, City of	11/19/98	08/20/09	2.040%	27,325	-	9,000
Mankato, City of-01st	12/12/05	08/20/25	2.310%	2,309,300	2,167,300	2,263,300
Mankato, City of-02nd	04/09/07	08/20/26	2.630%	37,729,870	26,820,509	11,699,737
Maple Plain, City of	07/09/07	08/20/26	2.150%	3,600,000	2,885,701	-

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Drinking Water Bond Fund (continued):						
Marble, City of	10/08/01	08/20/21	2.570%	128,210	97,000	102,000
Mayer, City of-01st	12/21/00	08/20/20	3.910%	347,000	258,000	273,000
Mayer, City of-02nd	08/28/06	08/20/26	2.070%	2,560,768	2,490,768	2,335,074
McIntosh, City of-01st	05/31/07	08/20/26	1.900%	222,736	222,736	41,356
McIntosh, City of-02nd	10/24/07	08/20/27	1.341%	862,943	764,620	-
Melrose, City of-01st	01/26/99	08/20/18	3.540%	599,219	394,000	423,000
Melrose, City of-02nd	04/13/99	08/20/19	3.480%	2,500,000	1,760,700	1,877,700
Milaca, City of	07/19/06	08/20/26	1.070%	3,060,114	2,990,114	2,797,588
Minneapolis, City of-01st	12/16/02	08/20/22	2.819%	27,400,000	25,000,000	25,500,000
Minneapolis, City of-02nd	02/26/04	08/20/23	2.800%	25,000,000	24,100,000	24,450,000
Minneapolis, City of-03rd	03/21/05	08/20/19	2.530%	12,500,000	12,400,000	12,450,000
Minneapolis, City of-04th	12/07/06	08/20/26	2.600%	13,500,000	5,583,254	3,585,612
Montevideo, City of	03/27/00	08/20/20	4.250%	1,658,080	1,233,000	1,303,000
Montgomery, City of-01st	09/18/03	08/20/23	3.180%	642,162	551,000	577,000
Montgomery, City of-02nd	05/24/04	08/20/23	2.840%	358,044	315,044	329,933
Morgan, City of	06/21/99	08/20/19	2.480%	481,289	331,000	354,000
Morris, City of	10/26/99	08/20/19	2.540%	1,251,423	850,000	910,000
Mountain Lake, City of	09/16/03	08/20/23	1.430%	2,985,751	2,466,000	2,602,751
Nashauk, City of	06/08/99	08/20/19	1.980%	966,092	653,000	701,000
New Auburn, City of	08/03/06	08/20/25	1.000%	1,123,400	1,043,602	1,069,002
New Market, City of	07/02/99	08/20/19	3.040%	76,000	-	-
New Prague, City of	10/15/02	08/20/22	3.630%	2,885,942	2,346,000	2,462,000
New Richland, City of	07/15/03	08/20/22	2.740%	1,327,522	1,101,522	1,161,522
Nielsen, City of	12/06/04	08/20/24	1.210%	30,563	26,415	28,485
Northome, City of	03/04/04	08/20/23	1.730%	241,826	209,000	220,000
Onamia, City of	10/19/00	08/20/20	3.000%	420,000	304,000	323,000
Osakis, City of	01/14/03	08/20/22	2.920%	666,377	534,000	562,000
Ottertail, City of	01/14/03	08/20/22	1.170%	1,488,000	1,156,000	1,226,000
Park Rapids, City of	06/15/06	08/20/25	2.570%	956,750	827,204	215,839
Perham, City of	11/19/99	08/20/19	2.790%	606,790	415,000	444,000
Pine River, City of	09/20/02	08/20/22	1.630%	167,260	131,000	139,000
Plainview, City of	06/15/06	08/20/21	2.630%	807,893	774,729	660,232
Princeton, City of-PUC-01st	09/08/99	08/20/19	3.290%	670,000	468,000	499,000
Princeton, City of-PUC-02nd	06/10/04	08/20/23	2.530%	847,422	757,000	795,000
Red Wing, City of	04/12/04	08/20/23	2.819%	15,283,450	13,357,450	14,017,450
Renville, City of	08/23/04	08/20/24	1.980%	266,453	234,000	245,000
Rock County Rural Water District-01	09/30/99	08/20/19	1.790%	1,460,000	968,000	1,040,000
Rock County Rural Water District-02	04/03/07	08/20/26	1.020%	533,000	533,000	533,000
Rothsay, City of	11/04/03	08/20/23	1.990%	378,740	317,000	333,740
Royalton, City of	09/27/99	08/20/19	1.000%	458,452	288,000	310,000
Rush City, City of	03/05/99	08/20/18	1.540%	3,889,693	2,387,000	2,585,000
Rushford, City of-01st	09/10/99	08/20/19	3.040%	765,000	525,000	561,000
Rushford, City of-02nd	05/15/08	08/20/27	1.352%	1,212,760	102,631	-
Sabin, City of	07/19/05	08/20/24	2.720%	871,267	792,267	832,267
Saint Augusta, City of	07/14/03	08/20/22	2.819%	1,849,591	1,574,000	1,657,168
Saint Clair, City of	08/20/07	08/20/26	1.900%	1,362,000	1,177,252	-
Saint Cloud, City of-01st	03/01/04	08/20/23	2.590%	1,381,672	1,208,672	1,268,672
Saint Cloud, City of-02nd	01/05/05	08/20/24	2.530%	2,527,278	2,258,350	2,363,350
Saint Francis, City of	12/18/07	08/20/27	2.563%	9,372,000	4,397,048	-
Saint James, City of	01/08/02	08/20/21	3.570%	2,230,000	1,739,000	1,834,000
Saint Paul, City of	11/05/98	12/01/18	3.480%	16,500,000	9,230,000	10,195,000

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2008	2007
Drinking Water Bond Fund (continued):						
Sandstone, City of	07/28/99	08/20/19	2.110%	401,331	270,000	290,000
Sauk Centre, City of	11/05/98	08/20/18	3.540%	2,121,231	1,395,000	1,497,000
Savage, City of	08/06/99	08/20/19	3.620%	8,984,395	6,314,395	6,728,395
Sebeka, City of	10/15/02	08/20/22	1.130%	262,242	206,942	219,942
Silver Bay, City of-01st	11/19/98	08/20/18	2.560%	642,000	408,000	440,000
Silver Bay, City of-02nd	06/04/07	08/20/26	1.650%	726,450	726,450	-
Spring Lake Park, City of	07/08/03	08/20/23	2.819%	3,846,216	3,202,000	3,359,074
Staples, City of	03/24/03	08/20/22	1.490%	1,400,000	1,140,000	1,207,000
Stewart, City of	08/08/05	08/20/24	2.220%	719,342	657,000	689,000
Sturgeon Lake, City of-01st	03/10/05	08/20/24	1.220%	2,476,541	2,248,541	2,366,541
Sturgeon Lake, City of-02nd	03/02/06	08/20/24	1.220%	250,000	235,165	248,165
Taylor's Falls, City of	08/28/07	08/20/26	1.150%	1,033,931	605,399	-
Thomson, City of	09/08/03	08/20/23	2.680%	105,104	56,549	60,549
Tower, City of	01/20/00	08/20/19	1.860%	892,659	589,000	632,000
Tracy, City of	06/30/00	08/20/20	4.160%	141,355	94,000	99,000
Trosky, City of	11/03/99	08/20/19	3.290%	131,670	90,000	96,000
Two Harbors, City of	06/30/99	08/20/19	3.040%	835,000	580,000	620,000
Underwood, City of	11/13/01	08/20/21	2.570%	660,878	487,000	516,000
Utica, City of	09/19/01	08/20/21	2.070%	173,000	130,000	137,917
Verndale, City of	12/18/98	08/20/18	1.310%	75,572	44,000	48,000
Virginia, City of	11/08/99	08/20/19	3.040%	6,127,973	4,241,000	4,530,000
Wadena, City of	07/30/02	08/20/22	2.670%	2,617,891	2,119,000	2,233,000
Walker, City of	08/18/99	08/20/19	1.810%	1,877,758	1,245,000	1,337,000
Wanamingo, City of	08/29/01	08/20/21	1.810%	1,660,000	1,246,000	1,324,000
Watertown, City of	12/27/01	08/20/21	3.570%	2,456,978	1,917,000	2,022,000
West Concord, City of	10/09/03	08/20/23	2.819%	234,105	199,000	209,000
Windom, City of-01st	03/12/99	08/20/18	2.570%	3,151,838	2,005,000	2,161,000
Windom, City of-02nd	06/28/99	08/20/19	2.290%	1,319,714	893,000	957,000
Winnebago, City of	09/19/00	08/20/20	2.160%	1,910,364	1,351,000	1,440,000
Winsted, City of	03/06/06	08/20/25	2.560%	573,926	549,730	573,926
Wykoff, City of-01st	05/10/04	08/20/23	2.340%	278,806	244,000	256,000
Wykoff, City of-02nd	05/14/07	08/20/26	1.400%	470,195	470,195	158,217
Zimmerman, City of	01/08/07	08/20/26	2.520%	2,317,350	1,967,878	1,653,322
Drinking Water Bond Fund				413,606,836	323,721,932	296,657,466
Transportation Bond Fund:						
Transportation Bond Fund Series 1999A:						
Metropolitan Council	03/12/99	02/15/20	2.710%	21,025,000	6,565,000	7,985,000
Transportation Bond Fund Series 2001:						
Benton County	10/23/01	08/20/11	2.150%	469,000	200,000	247,000
Mazeppa, City of	10/26/99	08/20/14	2.480%	535,000	282,000	319,000
Newport, City of	11/28/01	08/20/15	1.390%	1,625,600	937,000	614,749
Ramsey County-01st	05/04/01	08/20/30	3.590%	6,872,000	6,072,000	6,242,000
Ramsey County-02nd	05/04/01	08/20/30	3.590%	-	-	-
Richfield, City of	09/17/01	02/20/07	2.000%	6,700,000	-	-
Robbinsdale, City of	10/23/01	08/20/12	2.290%	927,843	521,000	618,000
Rochester, City of	11/14/01	08/20/21	2.830%	2,500,000	1,965,000	2,078,000
Waite Park, City of	06/27/01	08/20/21	3.190%	2,100,000	1,601,000	1,691,000
Woodbury, City of-01st	06/28/01	08/20/17	2.700%	13,049,400	7,360,336	8,458,420
Transportation Bond Fund Series 2001				34,778,843	18,938,336	20,268,169

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2008	2007
Transportation Bond Fund (continued):						
Transportation Bond Fund Series 2006A:						
Stearns County	12/12/06	02/20/20	2.346%	11,200,000	8,667,619	3,021,154
Transportation Bond Fund Series 2008A:						
Metropolitan Council-2008A	01/24/08	02/15/18	1.794%	10,000,000	6,501,186	-
Other Fund:						
Transportation Revolving Loan Fund Direct Loans:						
Hubbard County	09/25/07	08/20/18	2.477%	1,800,000	503,976	-
MN Dept of Transportation-01st	04/18/00	12/01/10	3.490%	15,000,000	4,170,789	5,820,648
MN Dept of Transportation-02nd	01/02/02	12/01/16	2.550%	24,200,000	15,601,300	17,119,149
MN Dept of Transportation-03rd	07/14/05	12/01/06	1.160%	3,900,000	-	-
MN Dept of Transportation-04th	11/19/06	12/01/21	2.210%	4,600,000	2,713,111	3,030,150
Pennington County	08/29/01	08/20/21	3.140%	1,731,285	1,302,000	1,375,000
Pine County-01st	05/29/01	08/20/16	3.000%	1,434,459	791,000	866,000
Pine County-02nd	03/15/02	08/20/05	1.810%	17,145	-	-
Woodbury, City of-02nd	06/28/01	08/20/15	2.690%	4,589,700	2,950,000	3,515,000
Transportation Revolving Loan Fund Direct Loans				57,272,589	28,032,176	31,725,947
Wastewater Infrastructure (Wif) Loans:						
Alexandria Lake Area Service Reg	08/13/07	08/20/30	0.000%	842,770	603,147	-
Brooten, City of	08/27/07	02/20/32	0.000%	481,790	-	-
Chisago Lakes JSTC-02nd	07/20/06	02/20/27	0.000%	364,683	15,638	15,638
Hudson Township	05/02/07	08/20/30	0.000%	513,315	513,315	244,656
Kandiyohi County-04th	10/17/06	08/20/32	0.000%	1,208,124	1,208,124	702,273
Madelia, City of-02nd	11/14/06	02/20/27	0.000%	89,587	89,587	-
Murray County	08/25/06	02/20/32	0.000%	3,589,451	3,589,451	3,206,479
Richmond, City of	12/21/06	08/20/29	0.000%	1,343,282	894,203	694,689
Rushmore, City of	10/03/05	08/20/35	0.000%	290,876	290,876	290,876
Sturgeon Lake, City of	02/21/07	08/20/26	0.000%	2,447,828	2,447,828	2,321,908
Wastewater Infrastructure (Wif) Loans				11,171,706	9,652,169	7,476,520
Small Community Wastewater Loans:						
Taopi, City of	06/28/07	08/20/18	1.000%	175,706	113,866	-
Methamphetamine Lab Cleanup Loans:						
Brooklyn Park, City of	06/23/08	08/20/27	2.000%	46,000	-	-
Mille Lacs County	07/18/06	08/20/16	2.000%	12,816	12,816	12,816
Nicollet County	04/27/07	08/20/16	2.000%	7,200	7,200	7,200
Methamphetamine Lab Cleanup Loans				66,016	20,016	20,016
Special Appropriation Direct Loans:						
Stewart, City of	04/22/02	08/20/21	1.000%	1,000,000	765,000	816,000
MPPA Totals				<u>\$ 2,382,130,161</u>	<u>\$ 1,524,042,480</u>	<u>\$ 1,439,809,864</u>

(1) Henning: \$500,000 of the original principal amount amortized at -0-% with the balance amortized at 2.23%

(2) Walnut Grove: \$500,000 of the original principal amount amortized at -0-% with the balance amortized at 1.74%

Borrower concentration in the open pool bond funds:

Borrower concentration, Clean Water Bond Fund: only one borrower's loan balance exceeds ten percent of the Clean Water loan portfolio. At June 30, 2008 and 2007, the Metropolitan Council made up 49.6% and 51.0%, respectively, of the outstanding Clean Water loan balances.

Borrower concentration, Drinking Water Bond Fund: only one borrower's loan balance exceeds ten percent of the Drinking Water loan portfolio. At June 30, 2008 and 2007, the City of Minneapolis made up 20.7% and 22.2%, respectively, of the outstanding Drinking Water loan balances.

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Schedules of Future Loan Repayments – At June 30, 2008, scheduled loan repayments on outstanding loans are payable as follows:

Fiscal Year(s)	Clean Water Bond Fund		Drinking Water Bond Fund	
	Interest	Principal	Interest	Principal
Ending				
2009	28,107,452	56,724,328	7,877,002	15,825,355
2010	28,622,610	55,558,210	8,107,154	17,345,941
2011	26,776,158	67,631,593	7,608,334	17,887,095
2012	24,932,985	68,588,002	7,091,376	19,556,582
2013	23,082,581	69,034,336	6,587,335	19,420,260
2014 - 2018	83,594,706	404,181,977	24,636,509	109,266,255
2019 - 2023	27,704,498	371,556,732	9,468,367	114,556,848
2024 - 2028	2,527,794	110,976,399	853,559	41,732,728
2029 - 2033	-	-	-	-
2034 - 2038	-	-	-	-
	<u>\$ 245,348,784</u>	<u>\$ 1,204,251,576</u>	<u>\$ 72,229,638</u>	<u>\$ 355,591,063</u>
Less: undisbursed loan commitments:		83,186,396		31,869,131
Outstanding principal:		<u>\$ 1,121,065,180</u>		<u>\$ 323,721,932</u>

Fiscal Year(s)	TBF Series 1999A		TBF Series 2001	
	Interest	Principal	Interest	Principal
Ending				
2009	143,361	1,460,000	488,097	1,817,222
2010	104,086	1,485,000	437,682	1,888,114
2011	89,342	320,000	385,210	1,963,000
2012	80,643	330,000	332,581	1,997,000
2013	71,779	335,000	302,825	1,309,000
2014 - 2018	216,930	1,825,000	1,095,843	4,788,000
2019 - 2023	17,858	810,000	611,122	2,509,000
2024 - 2028	-	-	302,453	1,580,000
2029 - 2033	-	-	37,294	1,087,000
2034 - 2038	-	-	-	-
	<u>\$ 723,998</u>	<u>\$ 6,565,000</u>	<u>\$ 3,993,108</u>	<u>\$ 18,938,336</u>
Less: undisbursed loan commitments:		-		-
Outstanding principal:		<u>\$ 6,565,000</u>		<u>\$ 18,938,336</u>

Scheduled future loan repayments (continued):

Fiscal Year(s) Ending	TBF Series 2006A		TBF Series 2008A	
	Interest	Principal	Interest	Principal
2009	152,806	2,250,000	55,565	1,995,000
2010	152,162	1,775,000	122,827	845,000
2011	136,684	520,000	107,670	860,000
2012	124,386	540,000	92,195	880,000
2013	111,771	550,000	76,467	895,000
2014 - 2018	347,447	3,305,000	151,300	4,525,000
2019 - 2023	26,190	1,510,000	-	-
2024 - 2028	-	-	-	-
2029 - 2033	-	-	-	-
2034 - 2038	-	-	-	-
	\$ 1,051,446	\$ 10,450,000	\$ 606,024	\$ 10,000,000
Less: undisbursed loan commitments:		1,782,381		3,498,814
Outstanding principal:		<u>\$ 8,667,619</u>		<u>\$ 6,501,186</u>

Fiscal Year(s) Ending	Other - Nonpledged		MPFA Totals	
	Interest	Principal	Interest	Principal
2009	723,455	4,524,101	37,547,739	84,596,006
2010	645,680	4,645,719	38,192,201	83,542,984
2011	526,333	3,658,308	35,629,731	92,839,996
2012	448,484	2,603,572	33,102,650	94,495,156
2013	375,461	2,679,656	30,608,219	94,223,252
2014 - 2018	787,403	11,705,605	110,830,138	539,596,837
2019 - 2023	67,402	2,074,005	37,895,438	493,016,585
2024 - 2028	546	3,298,225	3,684,353	157,587,352
2029 - 2033	-	7,166,532	37,294	8,253,532
2034 - 2038	-	720,754	-	720,754
	\$ 3,574,765	\$ 43,076,477	\$ 327,527,763	\$ 1,648,872,453
Less: undisbursed loan commitments:		4,493,251		124,829,973
Outstanding principal:		<u>\$ 38,583,227</u>		<u>\$ 1,524,042,480</u>

Projected repayments include undisbursed amounts and are net of projected fees. Repayments will differ from projected for loans that are not yet fully disbursed.

The above projections include only fully executed loans (listed above). The Authority anticipates funding a significant amount of new loans from existing resources; these loans will add to future repayment streams but are not included above.

All loans of the Authority are secured by the borrowers' general obligation and revenue pledges, except the DWBF loan to Saint Paul and the Methamphetamine Lab Cleanup loans, which are backed solely by revenue pledges.

4 *Bonds Payable*

Bonds payable at June 30, 2008 and 2007 consist of:

Fund/ Series	Interest Rates	Date Issued	Final Maturity ¹	Original Principal	Outstanding Principal, June 30:	
					2008	2007
Clean Water Bond Fund:						
<i>Nine series of bonds prior to 1998A:</i>				\$ 644,962,117	\$ -	\$ -
1998A	4.125 - 5.00	03/05/98	03/01/19	100,000,000	68,890,000	70,460,000
1998B	3.30 - 5.125	12/30/98	03/01/19	78,000,000	3,500,000	6,500,000
2000A	5.00 - 5.50	07/27/00	03/01/19	110,000,000	4,500,000	8,500,000
2001A	3.00 - 5.00	11/15/01	03/01/20	70,000,000	5,000,000	8,000,000
2002A	3.00 - 5.25	12/19/02	03/01/21	100,000,000	27,250,000	29,500,000
2004BC	3.00 - 5.25	10/21/04	03/01/24	218,000,000	207,000,000	217,000,000
2004D	3.25 - 5.00	12/02/04	03/01/16	101,000,000	101,000,000	101,000,000
2005B	3.00 - 5.00	10/20/05	03/01/21	148,375,000	147,365,000	147,365,000
2005C	5.00	12/07/05	03/01/25	134,000,000	108,500,000	120,500,000
2007A	4.00 - 5.00	07/11/07	03/01/27	90,000,000	89,750,000	
2007B	4.00 - 5.00	10/25/07	03/01/28	80,000,000	80,000,000	
Clean Water bond fund				1,874,337,117	842,755,000	708,825,000
Plus: Remaining unamortized net premium					42,761,329	42,692,765
Less: Unamortized portion of the amount deferred in refunding ²					(18,691,969)	(22,374,634)
Net CWBF bonds payable reflected on the statement of net assets					866,824,360	729,143,131
Drinking Water Bond Fund:						
1999B	4.60 - 5.125	07/14/99	03/01/19	21,500,000	1,030,000	2,020,000
2002B	2.00 - 5.25	12/19/02	03/01/21	50,000,000	15,000,000	17,500,000
2004A	2.00 - 5.00	03/04/04	03/01/24	53,000,000	49,900,000	51,000,000
2005A	2.00 - 5.00	10/20/05	03/01/25	83,365,000	81,275,000	82,605,000
Drinking Water bond fund				207,865,000	147,205,000	153,125,000
Plus: Remaining unamortized net premium					4,378,592	5,035,018
Less: Unamortized portion of the amount deferred in refunding ²					(1,210,424)	(1,345,594)
Net DWBF bonds payable reflected on the statement of net assets					150,373,168	156,814,424
Transportation Bond Fund:						
Series 1999A	4.00 - 4.75	03/18/99	03/01/20	17,080,000	5,330,000	6,485,000
Less: Remaining unamortized net discount					(21,666)	(27,658)
Net bonds payable, Transportation Series 1999A					5,308,334	6,457,342
Series 2001	3.50 - 5.00	12/13/01	03/01/21	20,450,000	11,325,000	12,435,000
Plus: Remaining unamortized net premium					96,904	143,875
Net bonds payable, Transportation Series 2001					11,421,904	12,578,875

Bonds payable (continued):

Fund/ Series	Interest Rates	Date Issued	Final Maturity ¹	Original Principal	Outstanding Principal, June 30:	
					2008	2007
Transportation Bond Fund (continued):						
Series 2006A	3.75 - 4.00	12/20/06	03/01/20	8,900,000	8,400,000	8,900,000
Plus: Remaining unamortized net premium					52,156	75,436
Net bonds payable, Transportation Series 2006A					8,452,156	8,975,436
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Series 2008A	3.50 - 4.00	01/24/08	03/01/18	7,700,000	7,700,000	
Plus: Remaining unamortized net premium					179,597	
Net bonds payable, Transportation Series 2006A					7,879,597	-
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Transportation bond fund					32,755,000	27,820,000
Plus: Remaining unamortized net premium					306,992	191,652
Net TBF bonds payable reflected on the statement of net assets					33,061,992	28,011,652
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MPFA Totals						
Original and outstanding principal					1,022,715,000	889,770,000
Plus: Remaining unamortized net premium					47,446,913	47,919,435
Less: Unamortized portion of the amount deferred in refunding ²					(19,902,393)	(23,720,228)
Net bonds payable reflected on the statement of net assets					<u>\$ 1,050,259,520</u>	<u>\$ 913,969,207</u>

¹ Final maturity reflects the latest maturity currently outstanding.

² This amount is reflected on the statement of net assets as a reduction of bonds payable.

Bond Proceeds – The net bond proceeds have been used to fund loans to Minnesota municipalities for projects relating to wastewater treatment facilities, drinking water systems, and transportation. A portion of the 1998A Series was used to refund portions of the 1989A, 1991A, 1991B, and 1995A Series bonds. A portion of the 2004BC Series was used to refund portions of the 1995A, 1996B, and 1997AB Series bonds. A portion of the 2004D Series was used to refund portions of the 1998B, 2000A, 2001A, and 2002A Series bonds. A portion of the 2005A Series was used to refund portions of the 1999B and 2002B Series bonds. The 2005B Series proceeds were used to refund portions of the 1998B, 2000A, 2001A, and 2002A Series bonds. A portion of the 2005C Series was used to current refund portions of the 1996A Series bonds.

Security - The bonds are secured by bond program assets and revenues as defined in the applicable basic and series bond resolutions.

Bonding Authority - The Authority's outstanding debt limit is \$1,500,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2008 was \$1,022,715,000.

Advanced and Current Refunding of Debt - The Authority has, on eight occasions to date, issued bonds the partial proceeds of which were used to defease or call certain prior debt issuances. In each case of defeasance, the Authority established an irrevocable escrow fund pursuant to an escrow agreement between the Authority, the Minnesota State Board of Investment, and an escrow agent. The escrow funds are pledged solely to the repayment of principal, premium, and interest on the refunded bonds. Under the agreements, the refunded bonds will be called for redemption at each series' applicable optional redemption dates. As these bonds have, in effect, been redeemed under the defeasance, they are no longer outstanding under the Authority's applicable bond resolutions and therefore, they are not entitled to the pledge of the applicable resolution. Accordingly, these bonds and the related escrow funds are not reflected in these basic financial statements as of June 30, 2008.

For the Series 2005C refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$1,659,097. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005C refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2013 using the effective interest method. The advance refunding will reduce debt service payments over the next 7.5 years by \$2,312,284 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$2,360,261.

For the Series 2005B refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$7,717,395. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005B refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2021 using the effective interest method. The advance refunding will reduce debt service payments over the next 15.5 years by \$11,851,474 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$8,000,308.

For the Series 2005A refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$1,537,317. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005A refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2021 using the effective interest method. The advance refunding will reduce debt service payments over the next 15.5 years by \$1,882,983 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$1,378,219.

The following table lists all bonds defeased and not yet redeemed as of June 30, 2008:

CUSIP #	Series	Maturity	Call Date	Refunding Date	Par Refunded Unredeemed
604111AL8	1999B	03/01/10	03/01/09	10/20/05	\$ 1,080,000
604111AM6	1999B	03/01/11	03/01/09	10/20/05	1,130,000
604111AN4	1999B	03/01/12	03/01/09	10/20/05	1,180,000
604111AP9	1999B	03/01/13	03/01/09	10/20/05	1,240,000
604111AQ7	1999B	03/01/14	03/01/09	10/20/05	1,300,000
604111AR5	1999B	03/01/15	03/01/09	10/20/05	1,365,000
604111AS3	1999B	03/01/16	03/01/09	10/20/05	1,435,000
604111AT1	1999B	03/01/19	03/01/09	10/20/05	4,750,000

Defeased bonds not yet redeemed (continued):

CUSIP #	Series	Maturity	Call Date	Refunding Date	Par Refunded Unredeemed
604111BF0	2002B	03/01/15	03/01/12	10/20/05	3,000,000
604111BG8	2002B	03/01/16	03/01/12	10/20/05	3,000,000
604111BH6	2002B	03/01/17	03/01/12	10/20/05	3,000,000
604111BJ2	2002B	03/01/18	03/01/12	10/20/05	3,500,000
604111BK9	2002B	03/01/19	03/01/12	10/20/05	3,500,000
604111BL7	2002B	03/01/20	03/01/12	10/20/05	4,000,000
604111BM5	2002B	03/01/21	03/01/12	10/20/05	2,500,000
604114JK5	1998B	03/01/10	03/01/09	12/02/04	4,500,000
604114JL3	1998B	03/01/11	03/01/09	12/02/04	6,000,000
604114JM1	1998B	03/01/12	03/01/09	12/02/04	3,400,000
604114JN9	1998B	03/01/13	03/01/09	12/02/04	5,000,000
604114JP4	1998B	03/01/14	03/01/09	12/02/04	6,000,000
604114JQ2	1998B	03/01/15	03/01/09	12/02/04	7,000,000
604114JR0	1998B	03/01/16	03/01/09	10/20/05	6,000,000
604114JS8	1998B	03/01/17	03/01/09	10/20/05	6,000,000
604114JT6	1998B	03/01/18	03/01/09	10/20/05	6,000,000
604114JU3	1998B	03/01/19	03/01/09	10/20/05	6,000,000
604114KL1	2000A	03/01/10	03/01/09	12/02/04	4,500,000
604114KM9	2000A	03/01/11	03/01/09	12/02/04	5,000,000
604114KN7	2000A	03/01/12	03/01/09	12/02/04	7,500,000
604114KP2	2000A	03/01/13	03/01/09	12/02/04	8,000,000
604114KQ0	2000A	03/01/14	03/01/09	12/02/04	9,000,000
604114KR8	2000A	03/01/15	03/01/09	12/02/04	10,000,000
604114KS6	2000A	03/01/16	03/01/09	10/20/05	10,000,000
604114KT4	2000A	03/01/17	03/01/09	10/20/05	10,000,000
604114KU1	2000A	03/01/18	03/01/09	10/20/05	10,000,000
604114KV9	2000A	03/01/19	03/01/09	10/20/05	10,000,000
604114LX4	2001A	03/01/11	03/01/10	10/20/05	2,000,000
604114LY2	2001A	03/01/12	03/01/10	10/20/05	4,000,000
604114LZ9	2001A	03/01/13	03/01/10	12/02/04	4,000,000
604114MA3	2001A	03/01/14	03/01/10	12/02/04	5,000,000
604114MB1	2001A	03/01/15	03/01/10	12/02/04	3,000,000
604114MC9	2001A	03/01/16	03/01/10	10/20/05	6,000,000
604114MD7	2001A	03/01/17	03/01/10	10/20/05	7,000,000
604114ME5	2001A	03/01/18	03/01/10	10/20/05	7,000,000
604114MF2	2001A	03/01/19	03/01/10	10/20/05	8,000,000
604114MG0	2001A	03/01/20	03/01/10	10/20/05	8,000,000
604114MW5	2002A	03/01/15	03/01/12	12/02/04	6,750,000
604114MX3	2002A	03/01/16	03/01/12	12/02/04	7,250,000
604114MY1	2002A	03/01/17	03/01/12	10/20/05	9,500,000
604114MZ8	2002A	03/01/18	03/01/12	10/20/05	9,750,000
604114NA2	2002A	03/01/19	03/01/12	10/20/05	9,750,000
604114NB0	2002A	03/01/20	03/01/12	10/20/05	9,750,000
604114NC8	2002A	03/01/21	03/01/12	10/20/05	9,750,000
					<u>\$ 292,380,000</u>

Schedule of Maturities - At June 30, 2008 debt service on outstanding bonds is payable as follows:

Fiscal Year(s) Ending	Clean Water		Drinking Water	
	Interest	Principal	Interest	Principal
2009	41,603,575	38,910,000	6,719,045	6,190,000
2010	39,670,075	37,845,000	6,458,445	6,785,000
2011	37,977,925	45,560,000	6,182,508	7,080,000
2012	35,740,825	47,315,000	5,884,933	8,065,000
2013	33,428,263	48,080,000	5,551,039	7,885,000
2014 - 2018	127,746,500	278,545,000	21,555,444	47,445,000
2019 - 2023	57,909,638	251,500,000	9,148,919	52,550,000
2024 - 2028	11,180,625	95,000,000	599,858	11,205,000
	<u>\$ 385,257,425</u>	<u>\$ 842,755,000</u>	<u>\$ 62,100,189</u>	<u>\$ 147,205,000</u>
Plus: Remaining premium (discount)		42,761,329		4,378,591.61
Less: Remaining refunding deferrals		(18,691,969)		(1,210,424.00)
Net bonds payable		<u>\$ 866,824,360</u>		<u>\$ 150,373,168</u>

Fiscal Year(s) Ending	TBF Series 1999A		TBF Series 2001	
	Interest	Principal	Interest	Principal
2009	234,175	1,185,000	566,250	1,175,000
2010	185,590	1,205,000	507,500	1,285,000
2011	134,980	260,000	443,250	1,350,000
2012	123,930	270,000	375,750	1,395,000
2013	112,320	270,000	306,000	950,000
2014 - 2018	369,345	1,485,000	891,500	3,680,000
2019 - 2023	47,025	655,000	151,500	1,490,000
2024 - 2028	-	-	-	-
	<u>\$ 1,207,365</u>	<u>\$ 5,330,000</u>	<u>\$ 3,241,750</u>	<u>\$ 11,325,000</u>
Plus: Remaining premium (discount)		(21,666)		96,904
Less: Remaining refunding deferrals				
Net bonds payable		<u>\$ 5,308,334</u>		<u>\$ 11,421,904</u>

Schedule of revenue bond maturities (continued):

Fiscal Year(s) Ending	TBF Series 2006A		TBF Series 2008A	
	Interest	Principal	Interest	Principal
2009	331,813	1,870,000	324,492	1,540,000
2010	257,013	1,480,000	232,650	600,000
2011	197,813	390,000	208,650	620,000
2012	183,188	410,000	183,850	650,000
2013	167,813	425,000	161,100	670,000
2014 - 2018	572,275	2,695,000	421,200	3,620,000
2019 - 2023	62,400	1,130,000	-	-
2024 - 2028	-	-	-	-
	<u>\$ 1,772,313</u>	<u>\$ 8,400,000</u>	<u>\$ 1,531,942</u>	<u>\$ 7,700,000</u>
Plus: Remaining premium (discount)		52,156		179,597
Less: Remaining refunding deferrals				
Net bonds payable		<u>\$ 8,452,156</u>		<u>\$ 7,879,597</u>

Fiscal Year(s) Ending	MPFA Totals	
	Interest	Principal
2009	49,779,350	50,870,000
2010	47,311,273	49,200,000
2011	45,145,125	55,260,000
2012	42,492,475	58,105,000
2013	39,726,534	58,280,000
2014 - 2018	151,556,264	337,470,000
2019 - 2023	67,319,481	307,325,000
2024 - 2028	11,780,483	106,205,000
	<u>\$ 455,110,984</u>	<u>\$ 1,022,715,000</u>
Plus: Remaining premium (discount)		47,446,913
Less: Remaining refunding deferrals		(19,902,393)
Net bonds payable		<u>\$ 1,050,259,520</u>

Table of changes during the fiscal year: The following table summarizes the change in reported bonds payable during the year ended June 30, 2008:

Bond Fund	Beginning Balance (par)	New Issues (par)	Redemptions	Defeased	Ending Balance (par)
CWBF	\$ 708,825,000	\$ 170,000,000	\$ (36,070,000)	\$ -	\$ 842,755,000
DWBF	153,125,000		(5,920,000)		147,205,000
TBF-1999A	6,485,000		(1,155,000)		5,330,000
TBF-2001	12,435,000		(1,110,000)		11,325,000
TBF-2006A	8,900,000		(500,000)		8,400,000
TBF-2008A		7,700,000			7,700,000
totals	\$ 889,770,000	\$ 177,700,000	\$ (44,755,000)	\$ -	\$ 1,022,715,000
					plus: remaining unamortized premium 47,446,913
					less: unamortized portion of the amount deferred in refunding (19,902,393)
					<u><u>\$ 1,050,259,520</u></u>

Table of changes during the fiscal year: The following table summarizes the change in reported bonds payable during the year ended June 30, 2007:

Bond Fund	Beginning Balance (par)	New Issues (par)	Redemptions	Defeased	Ending Balance (par)
CWBF	\$ 765,750,000	\$ -	\$ (56,925,000)	\$ -	\$ 708,825,000
DWBF	158,330,000		(5,205,000)		153,125,000
TBF-1999A	7,605,000		(1,120,000)		6,485,000
TBF-2001	14,780,000		(2,345,000)		12,435,000
TBF-2006A	-	8,900,000	-		8,900,000
totals	\$ 946,465,000	\$ 8,900,000	\$ (65,595,000)	\$ -	\$ 889,770,000
					plus: remaining unamortized premium 47,919,435
					less: unamortized portion of the amount deferred in refunding (23,720,228)
					<u><u>\$ 913,969,207</u></u>

5. *Arbitrage Rebate Liability*

The bonds issued by the Authority are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of investment income that may be earned on certain funds to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the related bonds as defined by the IRS. Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. The Authority's arbitrage rebate liability at June 30, 2008 and 2007 was \$3,064,906 and \$3,545,817, respectively.

6. *Related-Party Transactions*

Administrative Services - The DEED, Department of Health, and MPCA provide administrative staff and services to the Authority. During fiscal 2008 and 2007, the Authority paid approximately \$2.8 million and \$2.6 million, respectively, for these services.

Transfers - The Authority has, from CWBF net assets, made sub grant awards for non point-source pollution control programs administered by the Minnesota Department of Agriculture, the MPCA, and DEED. As the Authority makes these awards a transfer out of the CWBF to the Other Fund is recognized. Such transfers during fiscal 2008 and 2007 were \$2.2 million and \$2.2 million, respectively. In fiscal year 2008 and 2007, approximately \$1.0 million and \$1.9 million, respectively, were transferred from the TBF Funds to the Other Fund, from excess bond year pledged revenues over bond year debt service in the TBF Funds. At closing of the TBF Series 2008A bonds, approximately \$2.2 million was transferred from the Other Fund to the TBF Fund to become part of the pledged assets of the Series 2008A bond fund accounts.

State Appropriations:

- During 2005, the state, through the Minnesota Department of Finance, changed its method of recognizing appropriations made to the Authority when the respective eligibility criteria have been met by the Authority. Therefore, the appropriations from the 2005 legislation and thereafter will be recognized in the financial statements only as the related expenditure obligations have met the eligibility requirements.
- The Capital Improvements bill of 2008 (Chapter 179, Section 22) appropriated \$49.8 million to the Authority for state match to the federal clean water and drinking water capitalization grants, for the WIF program, and other purposes primarily related to wastewater treatment. Section 52 of this chapter cancelled a 2003 WIF appropriation of \$1.5 million for the Knife River Larson Sanitary District.
- During the 2007 1st special session of the Minnesota Legislature (Chapter 2, Article 1, Sec. 8, Subd. 3), for disaster relief related to southeastern Minnesota flood damage, the State appropriated \$10 million to the Authority for grants to local units of government to assist with the cost of rehabilitation and replacement of publicly owned infrastructure.
- During the 2007 regular session of the Minnesota Legislature the State appropriated \$200,000 to the Authority for the Small Community Wastewater Treatment Program. Also passed was a requirement to cancel, from prior appropriations to the Transportation Revolving Loan Fund (non-pledged assets) \$4,600,000, for transfer to the Minnesota Department of Transportation.

7. *Commitments*

At June 30, 2008 the Authority had committed approximately \$133.0 million for the origination or disbursement of future loans, \$22.2 million for grants, and \$2.3 million for disbursement of non point-source pollution control awards.

8. *Subsequent Events*

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had an adverse impact on certain of the Authority's investments. The change has been evaluated as of September 30, 2008 to be less than ½ of one percent of June 30, 2008 reported fair value. The Authority has the financial ability to hold these investments to maturity to minimize any adverse impact from the market volatility.

The Authority has been notified by AIGMFC of its intent to redeem, at par, \$20,912,800 of the \$24,178,300 guaranteed investment contracts payable to the Authority. As of the date of this report, the Authority has taken no action to stop or delay this redemption.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

Minnesota Public Facilities Authority
St. Paul, Minnesota

Our audits were made for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 28, 2008

Minnesota Public Facilities Authority
Transportation Revenue Bond Fund – Individual Bond Series
Statement of Net Assets
June 30, 2008

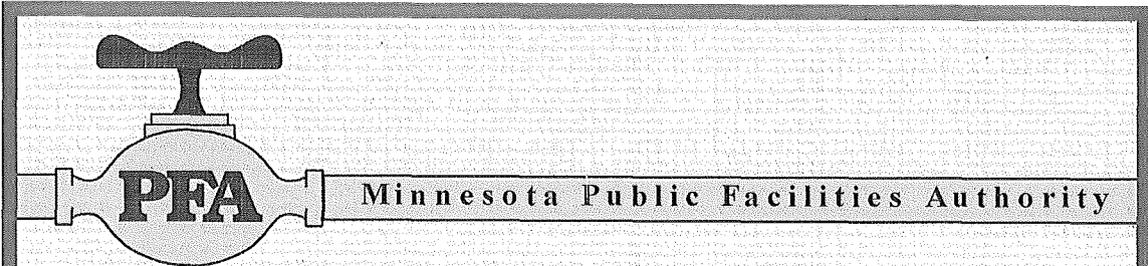
	Series 1999A	Series 2001	Series 2006A	Series 2008A	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 25,780.27	\$ 321.84	\$ 2,249,667.97	\$ 3,654,490.72	\$ 5,930,260.80
Loans receivable	1,460,000.00	1,817,000.00	2,250,000.00	1,995,000.00	7,522,000.00
Accrued interest receivable:					
Investments		35,541.00			35,541.00
Loans	67,211.00	203,648.00	71,053.00	1,944.00	343,856.00
Total current assets	<u>1,552,991.27</u>	<u>2,056,510.84</u>	<u>4,570,720.97</u>	<u>5,651,434.72</u>	<u>13,831,657.80</u>
Noncurrent assets:					
Investments		1,896,741.00			1,896,741.00
Loans receivable	5,105,000.00	17,121,336.06	6,417,618.85	4,506,186.33	33,150,141.24
Deferred bond issuance costs	36,006.00	88,309.00	150,235.00	116,151.00	390,701.00
Total noncurrent assets	<u>5,141,006.00</u>	<u>19,106,386.06</u>	<u>6,567,853.85</u>	<u>4,622,337.33</u>	<u>35,437,583.24</u>
Total assets	<u>6,693,997.27</u>	<u>21,162,896.90</u>	<u>11,138,574.82</u>	<u>10,273,772.05</u>	<u>49,269,241.04</u>
LIABILITIES					
Current liabilities:					
Interest payable on bonds	78,058.33	188,750.00	110,604.17	128,325.69	505,738.19
Arbitrage rebate liability	24,690.23				24,690.23
Bonds payable	1,185,000.00	1,175,000.00	1,870,000.00	1,540,000.00	5,770,000.00
Total current liabilities	<u>1,287,748.56</u>	<u>1,363,750.00</u>	<u>1,980,604.17</u>	<u>1,668,325.69</u>	<u>6,300,428.42</u>
Noncurrent liabilities:					
Bonds payable	4,123,334.24	10,246,904.30	6,582,156.45	6,339,596.63	27,291,991.62
Arbitrage rebate liability			112,026.80		112,026.80
Total liabilities	<u>5,411,082.80</u>	<u>11,610,654.30</u>	<u>8,674,787.42</u>	<u>8,007,922.32</u>	<u>33,704,446.84</u>
NET ASSETS					
Restricted by bond resolutions	1,282,914.47	9,552,242.60	2,463,787.40	2,265,849.73	15,564,794.20
Total net assets	<u>\$ 1,282,914.47</u>	<u>\$ 9,552,242.60</u>	<u>\$ 2,463,787.40</u>	<u>\$ 2,265,849.73</u>	<u>\$ 15,564,794.20</u>

Minnesota Public Facilities Authority
Transportation Revenue Bond Fund – Individual Bond Series
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Year Ended June 30, 2008

	Series 1999A	Series 2001	Series 2006A	Series 2008A	Total
Operating revenues:					
Interest on loans	\$ 200,094.00	\$ 562,768.45	\$ 150,899.18	\$ 1,944.00	\$ 915,705.63
Investment earnings	7,364.45	168,765.72	128,356.49	155,677.05	460,163.71
Total operating revenues	207,458.45	731,534.17	279,255.67	157,621.05	1,375,869.34
Operating expenses:					
Interest on bonds	279,328.56	573,216.55	350,777.47	109,361.58	1,312,684.16
Total operating expenses	279,328.56	573,216.55	350,777.47	109,361.58	1,312,684.16
Operating income (loss)	(71,870.11)	158,317.62	(71,521.80)	48,259.47	63,185.18
Transfers in (out)	(206,692.12)	(785,808.81)	(30,935.73)	2,217,590.26	1,194,153.60
Change in net assets	(278,562.23)	(627,491.19)	(102,457.53)	2,265,849.73	1,257,338.78
Total net assets:					
Beginning of year	1,561,476.70	10,179,733.79	2,566,244.93	-	14,307,455.42
End of year	<u>\$ 1,282,914.47</u>	<u>\$ 9,552,242.60</u>	<u>\$ 2,463,787.40</u>	<u>\$ 2,265,849.73</u>	<u>\$ 15,564,794.20</u>

Minnesota Public Facilities Authority
Transportation Revenue Bond Fund – Individual Bond Series
Statement of Cash Flows
for the Year Ended June 30, 2008

	Series 1999A	Series 2001	Series 2006A	Series 2008A	Total
Operating activities:					
Interest received on loans	\$ 214,632.00	\$ 577,866.45	\$ 99,337.18	\$ -	\$ 891,835.63
Principal received on loans	1,420,000.00	1,762,409.06	750,000.00		3,932,409.06
Net cash provided in operating activities	1,634,632.00	2,340,275.51	849,337.18	-	4,824,244.69
Non capital financing activities:					
Proceeds from sale of bonds				7,900,900.50	7,900,900.50
Payments for bond issuance costs				(118,490.76)	(118,490.76)
Interest paid on bonds	(280,375.00)	(621,750.00)	(439,765.63)		(1,341,890.63)
Principal paid on bonds	(1,155,000.00)	(1,110,000.00)	(500,000.00)		(2,765,000.00)
Payments to make loans		(432,575.70)	(6,396,464.93)	(6,501,186.33)	(13,330,226.96)
Cash transfers	(206,692.12)	(785,808.81)	(30,935.73)	2,217,590.26	1,194,153.60
Net cash provided (used) in capital and related financing activities	(1,642,067.12)	(2,950,134.51)	(7,367,166.29)	3,498,813.67	(8,460,554.25)
Investing activities:					
Investment interest	6,647.04	168,765.72	240,383.29	155,677.05	571,473.10
Net cash provided in investing activities	6,647.04	168,765.72	240,383.29	155,677.05	571,473.10
Net increase (decrease) in cash and cash equivalents	(788.08)	(441,093.28)	(6,277,445.82)	3,654,490.72	(3,064,836.46)
Cash and cash equivalents:					
Beginning of year	26,568.35	441,415.12	8,527,113.79	-	8,995,097.26
End of year	25,780.27	321.84	2,249,667.97	3,654,490.72	5,930,260.80
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(71,870.11)	158,317.62	(71,521.80)	48,259.47	63,185.18
Adjustments to reconcile operating income to net cash provided in operating activities:					
Principal received on loans	1,420,000.00	1,762,409.06	750,000.00		3,932,409.06
Interest paid on bonds	280,375.00	621,750.00	439,765.63		1,341,890.63
Investment earnings	(6,647.04)	(168,765.72)	(240,383.29)	(155,677.05)	(571,473.10)
Net amortizations	14,353.56	(30,033.45)	5,631.63	(18,964.11)	(29,012.37)
Changes in assets and liabilities:					
Accrued revenues	14,538.00	15,098.00	(51,562.00)	(1,944.00)	(23,870.00)
Accrued expenses	(16,117.41)	(18,500.00)	17,407.01	128,325.69	111,115.29
Net cash provided in operating activities	\$ 1,634,632.00	\$ 2,340,275.51	\$ 849,337.18	\$ -	\$ 4,824,244.69



Minnesota Public Facilities Authority

(A Component Unit of the State of Minnesota)

Compliance Reports

June 30, 2008

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Minnesota Public Facilities Authority
(A Component Unit of the State of Minnesota)

Compliance Reports
June 30, 2008

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Minnesota Public Facilities Authority
St. Paul, Minnesota

We have audited the financial statements of the Minnesota Public Facilities Authority (the Authority), a component unit of the State of Minnesota, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management of the Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 28, 2008

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Award Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Minnesota Public Facilities Authority
St. Paul, Minnesota

Compliance

We have audited the compliance of the Minnesota Public Facilities Authority (the Authority), a component unit of the State of Minnesota, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management of the Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 28, 2008

Minnesota Public Facilities Authority

**Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008**

Federal Agency /CFDA no.	Federal Program Description	Federal Expenditures
U.S. Environmental Protection Agency		
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 19,671,894
66.468	Capitalization Grants for Drinking Water State Revolving Funds	21,969,078
Total		<u>\$ 41,640,972</u>

See notes to the supplemental schedule of expenditures of federal awards.

Notes to the Supplemental Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation – The supplemental schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Federal awards provided to sub recipients are treated as expended when the sub recipient incurs the expenditure.

Reconciliation to Financial Statements – The expenditures included in the supplemental schedule of expenditures of federal awards include administrative expenditures, loan disbursements, sub recipient expenditures, and grant expenditures made with federal capitalization grants. The financial statements include expenditures made using nonfederal sources. As a result, the expenditures included in the supplemental schedule of expenditures of federal awards for the year ended June 30, 2008 do not directly reconcile to the financial statement expenses.

2. Capitalization Grant Awards

The Minnesota Public Facilities Authority uses federal capitalization grants to provide for administrative expenditures, loan disbursements, sub recipient expenditures, grant expenditures, and deposits to the debt service reserve accounts. The debt service reserve accounts are used as collateral on revenue bonds and future debt service thereon. The following presents a breakdown of the uses of the federal capitalization grants by program.

CFDA # 66.458, Capitalization Grants for Clean Water State Revolving Funds:

Grant Year	Grant Award	Cumulative Expenditures by Type					Total Expenditures
		Loans	Administrative	Sub Recipients	DSR Deposits		
1989	\$ 17,336,385	\$ -	\$ 402,204	\$ -	\$ 16,934,181	\$ 17,336,385	
1990	17,975,776		595,351		17,380,425	17,975,776	
1991	37,720,881	4,200,000	1,257,315		32,263,566	37,720,881	
1992	35,712,270		1,190,360		34,521,910	35,712,270	
1993	35,327,457	34,149,923	1,177,534			35,327,457	
1994	21,920,184	5,520,000	730,643		15,669,541	21,920,184	
1995	24,638,825		247,770	15,500,000	8,891,055	24,638,825	
1996	37,083,123	3,163,568		15,336,432	18,583,123	37,083,123	
1997	14,165,310	7,005,816		7,159,494		14,165,310	
1998	24,749,901	24,741,526		8,375		24,749,901	
1999	24,751,980				24,751,980	24,751,980	
2000	24,668,127	24,668,127				24,668,127	
2001	24,448,842	24,328,089		120,753		24,448,842	
2002	25,018,992	25,018,992				25,018,992	
2003	24,344,001	24,344,001				24,344,001	
2004	24,358,653	24,358,653				24,358,653	
2005	19,857,240	19,857,240				19,857,240	
2006	16,095,222	16,095,222				16,095,222	
2007	19,671,894	19,671,894				19,671,894	
	<u>\$ 469,845,063</u>	<u>\$ 257,123,051</u>	<u>\$ 5,601,177</u>	<u>\$ 38,125,054</u>	<u>\$ 168,995,781</u>	<u>\$ 469,845,063</u>	

Less cumulative expenditures at prior year-end:

Equals current year expenditures: \$ 19,671,894 \$ - \$ - \$ - \$ - \$ 19,671,894

CFDA # 66.468, Capitalization Grants for Drinking Water State Revolving Funds:

Grant Year	Grant Award	Cumulative Expenditures by Type					Total Expenditures
		Loans	DSR Deposits	Disadvantaged Communities	Administrative	Sub Recipients	
1997	\$ 42,086,000	\$ 35,406,617	\$ 1,805,175	\$ 770,833	\$ 1,683,440	\$ 2,419,935	\$ 42,086,000
1998	11,856,100	9,066,764		1,185,609	474,244	1,129,483	11,856,100
1999	12,426,300	9,551,385		1,197,364	497,052	1,180,499	12,426,300
2000	12,914,600	11,171,129		-	516,584	1,226,887	12,914,600
2001	12,968,000	9,790,840		-	518,720	2,658,440	12,968,000
2002	15,952,900	11,292,795		932,207	638,116	3,089,782	15,952,900
2003	15,857,000	13,325,118		1,216,193	634,280	681,409	15,857,000
2004	16,449,300	11,771,402		524,450	657,972	3,495,476	16,449,300
2005	16,414,500	13,273,050		1,500,000		1,641,450	16,414,500
2006	14,816,800	10,556,288		556,312	486,954	1,500,535	13,100,089
2007	14,817,000	12,552,918		782,382			13,335,300
	<u>\$ 186,558,500</u>	<u>\$ 147,758,305</u>	<u>\$ 1,805,175</u>	<u>\$ 8,665,350</u>	<u>\$ 6,107,362</u>	<u>\$ 19,023,897</u>	<u>\$ 183,360,089</u>

Less cumulative expenditures at prior year-end:

Equals current year expenditures: \$ 18,249,697 \$ - \$ 922,163 \$ 482,218 \$ 2,315,000 \$ 21,969,078

Minnesota Public Facilities Authority

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

B. Federal Awards

1. Internal control over major programs:

Material weakness(es) identified? Yes No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

2. Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

C. Identification of Major Program

1.

CFDA Number	Name of Federal Program
66.468	Capitalization Grant for Drinking Water State Revolving Funds
2. Dollar threshold used to distinguish between type A and type B programs \$1,249,229
3. Auditee qualified as low-risk auditee? Yes No

Minnesota Public Facilities Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

II. FINANCIAL STATEMENT FINDINGS

A. **Internal Control**

None reported.

B. **Compliance**

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. **Internal Control**

None reported.

B. **Compliance**

None reported.

Minnesota Public Facilities Authority

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

<u>Item No.</u>	<u>Date of the Report in Which Finding Was First Reported</u>	<u>Description of Condition</u>	<u>Status of Corrective Action</u>
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There were no prior-year audit findings reported.